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The only binding version is the original Polish version.

Bank Polski

# Directors' Report on the operations of PKO Bank Polski S.A. Group for the first half of 2024

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# 1. INTRODUCTION

The Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group (**PKO Bank Polski S.A. Group** or **the Bank's Group,** or **Group**) is one of the largest groups of financial institutions in Poland and in Central and Eastern Europe.

The Parent company of the Bank's Group is Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna (**PKO Bank Polski S.A.** or **Bank**). PKO Bank Polski S.A. is the largest commercial bank in Poland and the leading bank on the domestic market in terms of the scale of operations, equity, loans, savings, number of customers and size of the distribution network.

PKO Bank Polski S.A. is a universal bank that services individuals, legal entities and other domestic and foreign entities.

Apart from operations of strictly banking nature, the Bank's Group also provides services involving leases, factoring, investment funds, pension funds and insurance, car fleet management services, transfer agent services, delivers technological solutions and outsources IT professionals.

The Bank's Group conducts banking activities and provides financial services also outside Poland – mainly through its branches in Germany, the Czech Republic and Slovakia and through its subsidiaries in Ukraine, and also engages in cross-border operations within EEA countries.

PKO Bank Polski S.A. Group stands out on the Polish market with good financial performance, which ensures its stable and safe development.

# 2. RESULTS OF THE GROUP'S OPERATION IN THE FIRST HALF OF 2024

## 2.1. MAJOR EVENTS, INCLUDING NON-TYPICAL EVENTS

### 2.1.1. MORTGAGE LOANS IN FOREIGN CURRENCIES

#### SETTLEMENT PROGRAMME

In the first half of 2024 PKO Bank Polski S.A. continued offering settlements to its retail customers who had active mortgage-backed loans in Swiss Francs (CHF). The settlement involves converting CHF loans into loans in Polish zlotys (PLN) as if, as if it had been a PLN loan from the start subject to interest rate at the WIBOR reference rate increased by the margin historically applied to such loans. The settlements are offered during mediation proceedings conducted by the Mediation Centre of the Polish Financial Supervision Authority (PFSA). The Bank also offers settlements on a large scale for loans subject to litigation.

By 30 June 2024, 61 thousand mediation applications were registered; 40,802 mediations concluded with a positive outcome, 14,023 mediations concluded with a negative outcome. The total number of settlements concluded as of 30 June 2024 was 40,552, of which 37,889 were concluded through mediation proceedings and 2,663 through court proceedings.

#### CJEU CASE-LAW

In its decision issued in case C-488/23 of 12 January 2024, the Court of Justice of the European Union (CJEU) determined that banks are not able to claim valorisation from customers if the invalidity of the agreement is a consequence of the removal of abusive clauses from the agreement. The CJEU thus ruled that banks may not demand compensation from consumers consisting of judicial valorisation of the payment corresponding to that capital, in the event of a substantial change in the purchasing power of the currency concerned after the transfer of that capital to the consumer.

#### RESOLUTION OF THE SUPREME COURT OF 25 APRIL 2024

In a resolution of 25 April 2024, the Supreme Court (SC) expressed its opinion on the legal questions of the First President of the Supreme Court concerning Swiss franc loans. In announcing the resolution, the SC noted that the determination of the issues addressed by the resolution was based on the assumption that the contractual provisions concerning the determination of exchange rates had been declared illicit. In the first place, the SC pointed out that, in the current state of the law, an illicit contractual provision concerning the method of determining the foreign currency exchange rate cannot be replaced by another method of determining the foreign currency exchange rate resulting from law or custom. Once it has been removed from a loan agreement that is indexed to or denominated in a foreign currency, the remaining part of the agreement cannot be binding. The parties are entitled to separate claims for reimbursement of unduly performed services. In such a case, the limitation period of the bank's claim for repayment of amounts disbursed under the loan begins to run, in principle, from the day following the day on which the borrower challenged the fact of being bound by the provisions of the agreement against the bank. At the same time, there is no legal basis for either party to claim consideration for the use of its funds. When announcing the resolution, it was also noted that the object of the SC's decision was not to prejudge in which exact cases such clauses should be considered illicit provisions.

#### INCREASED COST OF LEGAL RISK OF MORTGAGE LOANS IN CONVERTIBLE CURRENCIES

In the first half of 2024, the Bank's Group increased the allowance for the cost of legal risk associated with mortgage loans in convertible currencies (CHF) by PLN 2,320 million. The amount of these costs is a result of an update of the parameters of the legal risk assessment model, which relate to changes in the level of litigation settlements and resolutions, as well as an update of the assumptions concerning the costs of statutory default interest. Detailed information on the legal risk allowance in the first half of 2024 was presented in the condensed consolidated financial statements of the PKO Bank Polski S.A. Group for the period of six months ended 30 June 2024 (Financial statements of the Bank's Group for the first half of 2024) – note 15 "Cost of legal risk of mortgage loans in convertible currencies".

### 2.1.2. BUSINESS DEVELOPMENT

In the first half of 2024, the Bank's Group was developing products and services (also offered remotely). The Bank's Group:

- signing of an agreement with Bank Gospodarstwa Krajowego S.A. (BGK) concerning the FG FENG programme (Biznesmax Plus and Ekomax Plus) to offer guarantees to businesses interested in investment and revolving loans,
- expanded its offer by adding PKO Życie life insurance, which includes coverage in the event of death, serious illness and accident-induced injuries.
- updated the offer for individual farmers running agricultural holdings,
- deployed a pilot version of the Digital Mortgage, which lets borrowers apply for a mortgage under an entirely remote process,
- continued work on the implementation of the PKO Bonus discount programme. In June 2024, the Group made the first partner's promotional offer available in the IKO app,
- launched WeGrant's AI-based search engine for businesses seeking specific EU funding,
- moved all systems of PKO Faktoring S.A. to the cloud environment,
- exceeded 8.1 million active IKO apps.

In the first half of 2024, the Bank's Group recorded further growth in the scale of operations, in particular increasing the following figures since the beginning of the year:

- the number of customers by nearly 116 thousand, to 12.0 million, mainly in the retail customer segment,
- the number of current accounts serviced by 83 thousand, to nearly 9.4 million,
- the number of cards by nearly 172 thousand, to nearly 10.9 million units, including the number of debit cards by nearly 170 thousand, to nearly 9.8 million units,
- the lending base by more than PLN 8 billion (including the volume of housing loans by more than PLN 10 billion), the retail deposit base by nearly PLN 10 billion and investment fund assets by more than PLN 7 billion.
- sales of housing loans, which amounted to nearly PLN 13 billion, which constituted 28.2% of the market share of new sales.

As of 30 June 2024, the Group achieved a share in the loans and savings market (deposits, TFI assets and retail savings bonds) of 18.1% and 20.9%, respectively.

### 2.1.3. SECURITIES ISSUED BY ENTITIES OF THE BANK'S GROUP

#### ISSUE OF BONDS TO COVER THE MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

#### PROGRAMME FOR THE ISSUE OF OWN BONDS ON THE EUROBONDS MARKET

On 8 August 2022, the Management Board of the Bank approved the establishment of a programme for the issue of Eurobonds by the Bank as the issuer (the Euro Medium Term Notes Programme – the "EMTN Programme") of up to EUR 4 billion. Under the EMTN Programme, it is possible toissue unsecured Eurobonds in any currency, including those in respect of which liabilities may be classified as eligible liabilities or as the Bank's own funds. Bonds issued under the EMTN Programme will be registered in the international central securities depository (ICSD) operated by Euroclear Bank SA/NV or Clearstream Banking société anonyme.

Under the EMTN Programme:

- on 27 March 2024, the Bank issued four-year non-preferred bonds, with the possibility of early redemption three years after the issue (subject to the approval by the Bank Guarantee Fund (BGF)), in the format of "senior non-preferred notes" with a total nominal value of EUR 500,000,000 on the basis of a prospectus approved on 15 March 2024 by Commission de Surveillance du Secteur Financier.
- on 18 June 2024, the Bank issued five-year non-preferred bonds, with the possibility of early redemption four years after the issue (subject to the approval by the BGF), in the format of "senior non-preferred notes" with a total nominal value of EUR 500,000,000 on the basis of a prospectus approved on 15 March 2024 by Commission de Surveillance du Secteur Financier and an addendum thereto approved on 7 June 2024.
- Those bonds are classified as eligible liabilities of the Bank within the meaning of Article 97a(1)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution (MREL requirement). The coupon of the issue is fixed, at 4.5%, payable annually until the early redemption date, and variable thereafter, with quarterly payments.
- Moody's Investors Service gave the issue a Baa3 rating. The bonds were admitted to trading on a regulated market on the Luxembourg Stock Exchange and, in the case of issue of 27 March 2024, on the Warsaw Stock Exchange. The Bank intends to introduce the bonds issued on 18 June 2024 to trading on a regulated market in Warsaw as well.

### PROGRAMME FOR THE ISSUE OF OWN BONDS ON THE DOMESTIC MARKET

On 28 February 2024, the Bank issued five-year senior non-preferred bonds with a total nominal value of PLN 1,000,000,000 on the domestic market, under the Bank's own bond issue programme of PLN 5 billion. The interest rate on the bonds is variable, representing the sum of the WIBOR 6M benchmark rate and a margin of 159 bps. The Bank may have the right of early redemption of the bonds upon obtaining the approval of the Bank Guarantee Fund (BFG). The bonds are classified as eligible liabilities of the Bank within the meaning of Article 97a(1)(2) of the Act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and resolution (MREL requirement).

Moody's Investors Service gave the issue a Baa3 rating. The Bank listed the bonds in the Catalyst alternative trading system.

### ISSUE OF PKO LEASING S.A. AND PKO BANK HIPOTECZNY S.A. BONDS

In the first half of 2024, PKO Leasing S.A. issued bonds for the amount of PLN 3,566 million* and redeemed bonds for the amount of PLN 3,306 million*. The Company's bond issues are governed by the Bond Issue Programme Agreement concluded with PKO Bank Polski S.A. Under that agreement, the maximum nominal value of the issued and outstanding bonds may amount to PLN 2,500 million. As at 30 June 2024, the company's debt on account of the issue of the aforementioned bonds at nominal value amounted to PLN 2,012 million.

In the first half of 2024, PKO Bank Hipoteczny S.A. issued bonds with a total nominal value of PLN 3,150 million* under the Bond Issue Programme and redeemed bonds with a total nominal value of PLN 2,159 million*.

The Company's bond issues are governed by the Bond Issue Programme Agreement concluded with PKO Bank Polski S.A. Under that agreement, the maximum nominal value of the issued and outstanding bonds amounts to PLN 6,000 million. At the same time, pursuant to the Commitment Agreement, the Bank undertakes to underwrite bonds of PKO Bank Hipoteczny S.A. up to a total value of PLN 1,000 million. As at 30 June 2024, the company's liability under the issued bonds at nominal value amounted to PLN 3,016 million. As at 30 June 2024, the Bank's portfolio contained no bonds issued by PKO Bank Hipoteczny S.A.

* nominal value, without excluding bonds subscribed for by companies in the PKO Bank Polski S.A. Group.

#### ISSUE OF COVERED BONDS OF PKO BANK HIPOTECZNY S.A.

In the first half of 2024, under the International Covered Bond Programme, PKO Bank Hipoteczny S.A. issued two series of mortgage covered bonds:

- 22 March 2024 – issue of series 12 with a total nominal value of PLN 1 billion, which was the highest amount of PLN-denominated covered bond issues in PKO Bank Hipoteczny S.A.'s history,
- 5 July 2024 – issue of series 13 with a nominal value of PLN 500 million.

At the same time, in the first half of 2024, PKO Bank Hipoteczny S.A. redeemed covered bonds with a total nominal value of EUR 525 million and PLN 700 million.

As at 30 June 2024, the total value of PKO Bank Hipoteczny S.A.'s bonds issued (domestically and internationally) was PLN 8,353 million (at nominal value).

As at 30 June 2024, PKO BP S.A.'s portfolio included covered bonds with the total nominal value of PLN 6 million.

### 2.1.4. INTEREST RATE BENCHMARKS REFORM IN POLAND

The work on a benchmark reform is being carried out by the National Working Group on Benchmark Reform (NWG), appointed by the Office of the Polish Financial Supervision Authority (PFSA Office). The NWG is working on a recommendation on the principles and methods for replacing the WIBOR/WIBID benchmarks with a new benchmark.

Since the third quarter of 2020, starting with the reform of LIBOR benchmarks, the PKO Bank Polski S.A. Group has been running an inter-disciplinary project supervised by members of the Bank's Management Board with the participation of subsidiaries: representatives of PKO Bank Hipoteczny, PKO Leasing S.A. and PKO Faktoring S.A., related to the adjustment of the Bank and its subsidiaries to changes introduced as part of the benchmark reform.

On 29 March 2024, the Steering Committee of the National Working Group for benchmark reform (NWG SC) decided to commence a review and analysis of risk-free-rate (RFR) replacement choices for WIBOR benchmark. The review will cover both WIRON and other possible interest rate indices or benchmarks. The purpose is to review the decision of the NWG SC adopted in September 2022, based on a wider scope of market information in the dynamically changing macroeconomic environment of the Polish economy. In view of the above, possible changes to the milestones of the existing Roadmap for the process of replacing the WIBOR and WIBID benchmarks are possible, but as indicated by the NWG SC, without changing the final deadline for the completion of the benchmark reform, i.e. the end of 2027.

On 21 June 2024, the NGR invited stakeholders and financial market participants to read the consultation document on the review and assessment of alternative interest rate indices. The closing date for the consultation lapsed on 1 July 2024. The results of the public consultation will be taken into account by the NGR when deciding on an index/benchmark alternative to WIBOR and updating the Roadmap for benchmark reform in Poland, so as to incorporate the measures necessary for the continued development of the domestic money market.

### 2.1.5. THE BANK'S DEPOSIT OFFER IN THE FIRST HALF OF 2024

Taking into account changes in its competitors' offerings and the bank's liquidity, in the first half of 2024 PKO Bank Polski S.A. introduced 24-month structured term deposits:

- ✓ based on a basket of shares of sustainable development leaders III[1],
- ✓ based on a basket of shares of European companies,
- ✓ based on a basket of shares of pharmaceutical companies,
- ✓ based on a basket of shares of gold mining companies.
- ✓ based on a basket of shares of European companies II,
- ✓ based on a basket of shares of French companies,
- ✓ based on a basket of shares of companies with female business leaders[2].

[1] The basket includes selected companies with a Bloomberg ESG Score of at least 7 (on a scale of 0-10). This result demonstrates top-notch environmental, social and governance standards.

[2] Companies with women as CEOs.

Moreover, for individual customers (natural persons) in particular, the Bank:

- reduced the interest rates of inter alia:
  - the mobile deposit: to 4.5%, and then to 4.25%,
  - the 60+ deposit: to 2.75% per annum.
- withdrew the following products from the offer:
  - deposit for new funds,
  - the 60+ deposit.

In the first half of 2024, the Bank launched four editions of the new funds promotion for the Plus Savings Account with a promotional interest rate of 5% per annum for new funds, up to PLN 250 thousand for a period of 90 days.

The average interest on new term deposits in PLN (for individuals and enterprises) in the first half of 2024 was 3.7%.

The average interest on all term deposits in PLN placed with PKO Bank Polski S.A was 4.17% in the first half of 2024, compared to 5.05% in the first half of 2023 and 5.08% in the second half of 2023.

### 2.1.6. EFFECT OF THE CONTRIBUTION TO THE BANK GUARANTEE FUND ON THE PERFORMANCE IN THE FIRST HALF OF 2024

On 18 April 2024, the Bank received information from the Bank Guarantee Fund on the amount of the annual contribution to the Bank Resolution Fund for 2024. For the Bank, the contribution amounts to PLN 257,808,808.64 and for the Bank's Group (including the contribution of PKO Bank Hipoteczny S.A.) a total of PLN 271,755,363.70. The information was published in the Current Report No. 24/2024.

## 2.2. SELECTED FINANCIAL DATA

The Directors' Report on the Group's operations presents financial data on a management basis. For definitions of individual items (for items from the statement of financial position and the income statement) please refer to the "Glossary" chapter.[3]

The consolidated net profit of the PKO Bank Polski S.A. Group earned in the first half of 2024 amounted to PLN 4,395 million and was by PLN 2,354 million higher than in the first half of 2023.

The increase in net profit was driven by:

1) an improvement in the result on business activities, which reached PLN 13,591 million (up by PLN 2,253 million year-on-year), mainly due to an increase in net interest income of PLN 1,667 million, as well as an increase in net fee and commission income of PLN 344 million and an increase in other net income of PLN 242 million.
2) net write-downs and impairment improved by PLN 938 million, mainly thanks to the lower cost of legal risk of mortgage loans in convertible currencies (down by PLN 1,121 million),
3) a PLN 410 million increase in operating expenses, including higher cost of employee benefits - up by PLN 323 million (as a result of wage regulations), higher costs of depreciation and amortisation - up by PLN 56 million, and higher regulatory costs - up by PLN 27 million.

[3] Any differences in specific items, totals, shares and growth rates result from the rounding of amounts to millions of PLN and rounding of percentage values in the presented structures to one and/or two decimal places.

Table 1. Basic financial data of the Bank's Capital Group (PLN million)

| | 30.06.2024 | 30.06.2023 | Change |
|---|---|---|---|
| Net profit | 4,395 | 2,041 | +1.2x |
| Net interest income | 10,246 | 8,579 | +19.4% |
| Net fee and commission income | 2,558 | 2,214 | +15.5% |
| Result on business activities | 13,591 | 11,338 | +19.9% |
| Operational expenses | -4,141 | -3,731 | +11% |
| Tax on certain financial institutions | -626 | -610 | +2.6% |
| Net write-downs and impairment | -3,096 | -4,034 | -23.2% |
| Total assets | 507,258 | 460,842 | +10.1% |
| Total equity | 46,932 | 41,125 | +14.1% |
| ROE net | 17.4% | 9.8% | +7.6 p.p. |
| ROA net | 1.6% | 0.8% | +0.8 p.p. |
| C/I (cost to income ratio) | 30.4% | 38.3% | -7.9 p.p. |
| Interest margin[1)] | 4.57% | 4.17% | +0.4 p.p. |
| Share of impaired exposures | 3.54% | 3.64% | -0.1 p.p. |
| Cost of credit risk | 0.39% | 0.53% | -0.14 p.p. |
| Total capital ratio | 17.89% | 19.83% | -1.94 p.p. |
| Common equity Tier 1 (CET 1) | 17.15% | 18.75% | -1.6 p.p. |

1) The interest margin was calculated excluding the effects of the Act on crowdfunding for business ventures and assistance to borrowers (so-called "credit holidays") in the amount of (-) PLN 3,111 million in Q3 2022, (+) PLN 105 million in Q4 2022 Q2 2023 and PLN (-)488 million in Q2 2024

Events which had a significant impact on the net profit of the Bank's Group in the first half of 2024 compared with the corresponding period of 2023:

### Result on business activities

- an increase in net interest income, determined by lower financing costs mainly as a result of reduced interest expenses thanks to hedge accounting, and an increase in interest income mainly attributable to the growth of the securities portfolio, with a negative impact of costs incurred due to the credit holidays,
- an increase in net fee and commission income, driven mainly by the improved result on card activities, brokerage activities and commissions from investment and pension funds, with a decline in margins on foreign exchange transactions,
- improvement in net other income mainly as a result of the higher net foreign exchange income and result on financial transactions.

### Operating expenses

- a PLN 323 million increase in the cost of employee benefits, mainly as a result of wage regulations and higher headcount,
- a PLN 56 million increase in depreciation and amortisation costs, mainly as a result of increased amortisation of IT intangible assets,
- a PLN 27 million increase in regulatory costs, mainly as a result of higher cost of court fees in cases concerning CHF loans brought by customers against the Bank.

### Net write-downs and impairment

- lower cost of legal risk associated with mortgage loans in convertible currencies (down by PLN 1,121 million) following an update of the parameters of the legal risk assessment model to reflect the level of litigation settlements and resolutions, as well as the assumptions concerning the costs of statutory interest,
- improved result on credit risk allowances (up by PLN 108 million) due to more favourable write-downs on consumer and housing loans,
- deteriorated net write-downs on non-financial assets (down by PLN 291 million), mainly as a result of the recognition of additional PLN 225 million worth of allowances on amounts due from customers for disbursed principal, in connection with lost court cases concerning CHF loans, and the recognition of PLN 47 million worth of allowances on the exposure in Bank Pocztowy to account for the update of the Bank's share in net assets.

As a result of measures taken in the first half of 2024, there was an increase in the scale of operations, both compared to the corresponding period of the previous year and to the end of 2023:

- total assets exceeded the amount of PLN 507 billion, which represents an increase of PLN 46 billion year-on-year and of PLN 6 billion compared to the amount of assets at the end of 2023,
- customer deposits stood at almost PLN 399 billion, which represents an increase of PLN 33 billion compared to the end of June 2023 (as a result of the expansion of both private banking deposits, corporate deposits and enterprise deposits) and remained at a stable level compared to the figures at the end of December 2023,
- financing granted to customers amounted to nearly PLN 271 billion and increased by PLN 20 billion compared to the end of June 2023 (mainly as a result of an upturn in PLN housing loans, with a decrease in financing granted to businesses – both in the form of loans and leasing, with an increase in factoring) and by PLN 8 billion compared to the end of December 2023,
- the bank's portfolio of securities amounted to approximately PLN 183 billion, up by PLN 31 billion relative to the end of June 2023 and by PLN 3 billion relative to the end of December 2023.

The structure of the Group's balance sheet, both compared to the corresponding period of the previous year, was also affected by:

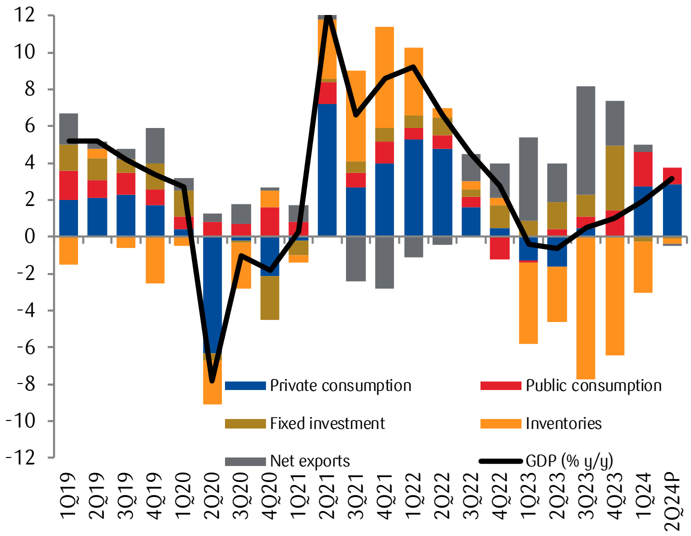
- an increase in the fair value of the securities portfolio and a lower valuation of instruments under hedge accounting, which resulted in increased equity,
- lower valuation of derivatives, which translated into the shrinkage of other assets and liabilities,
- the decision on the distribution of the Bank's profit earned in 2023 and dividend payout – rising level of other liabilities and a decrease in equity,
- recognition of allowances for legal risk associated with CHF loans - impact on the net value of the loan portfolio and other liabilities.

# 3. EXTERNAL BUSINESS ENVIRONMENT

## 3.1. MACROECONOMIC ENVIRONMENT

### ECONOMIC RECOVERY GAINS MOMENTUM

The pace and decomposition of GDP growth (%, y/y) and its components (p.p.)

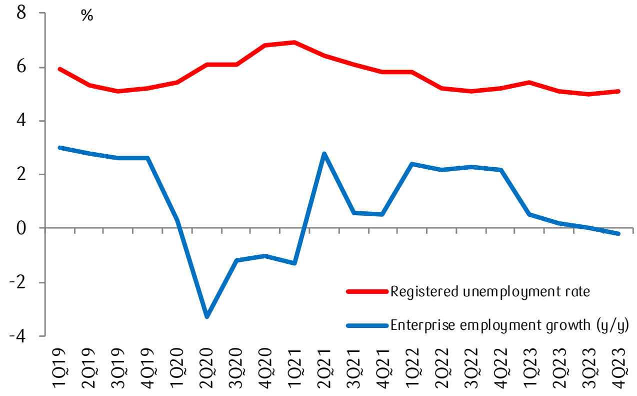



At the beginning of 2024, economic activity was rebounding vigorously. In the first quarter GDP was 2.0% higher than a year ago, while growth in the second quarter accelerated to 3.2% y/y. The record high growth in the population's real income recorded in the first half of the year contributed to a rapid recovery in consumer demand, with household consumption rising in the first quarter by 4.6% y/y, following the fourth quarter of 2023 marred by stagnation. Consumption grew robustly despite a recovery in savings, which had been severely depleted during the period of elevated inflation. Against the backdrop of consumption revival, investment stands out negatively. Its level has been squashed due to the transition period between the two EU multiannual financial perspectives and the delay in the inflow of funds under the National Recovery Plan (NRP). Consequently, gross fixed capital formation declined by 1.8% y/y in the first quarter, and it most likely remained slackened throughout the first half of the year. Net exports made a slightly positive contribution to the GDP growth. This was achieved with a slowdown in exports of goods and services and a decline in imports, which was attributable to poor investment demand and a reduction in inventories. The first half of the year saw the strongest improvement in the condition of households, leading to a recovery in the service sector and, to a slightly lesser extent, in retail. Other industries, such as e.g. construction and manufacturing, were in worse shape (stabilisation or even slight slowdown in activity), as they had been struggling with weak foreign demand. The current account showed a solid surplus, but the period of its rapid improvement, triggered by more favourable terms-of-trade (a rapid decrease in the dynamics of import prices with lower changes in export prices), is now over.

### UNEMPLOYMENT AT HISTORIC LOWS

We are seeing a stabilisation in the domestic labour market. The adjustment to the lower level of economic activity we saw in 2023 occurred through a reduction in the number of vacancies and did not lead to rising unemployment. The registered unemployment rate in June 2024 was 4.9%, i.e. 0.2 p.p. lower than in the same period of the previous year and the lowest since the period of political system transformation.

Unemployment and employment (end of period, %)

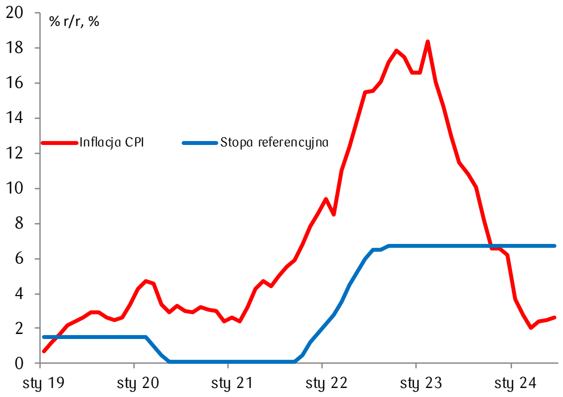



Average employment in the enterprise sector declined in the first half of 2024, which may partly reflect companies' problems with filling vacated posts. Both the number of establishments making collective redundancies and the number of unemployed people made redundant for company-related reasons are at low levels. In the first half of 2024, remuneration levels in the economy were strongly influenced by the increase in the minimum wage and the rising level of remuneration in the public sector. Nominal wage growth in the enterprise sector remained in the range of 11-13% y/y throughout the first half of the year and in national economy exceeded 14% y/y. Strong nominal wage growth combined with falling inflation resulted in rapidly increasing real wages. In the first quarter, real wages in the national economy grew by more than 12% y/y, which was the strongest surge since 1997.

## INFLATION WITHIN THE NATIONAL BANK OF POLAND'S (NBP) TARGET

In February 2024, inflation returned to the range of acceptable deviation from the NBP's target (2.5% +/- 1 p.p.) and lingered there until the end of the first half of the year – in June prices rose by as 2.6% y/y. Inflation dropped from 6.2% in December 2023 as a result of the slower surge in food prices and falling energy prices. Core inflation (CPI excluding food and energy prices) fell below 4.0% y/y from 6.9% y/y at the end of 2023, but remained higher than headline inflation. As far as producers' prices (PPI) are concerned, we saw year-on-year deflation continuing in the first half of the year. This was as a consequence of the reversal of the negative shocks in food and energy prices. In July, inflation rose to 4.2% y/y, and in the later part of 2024 is likely to pick up and linger above the upper limit of acceptable deviation from the target (i.e. above the 3.5% y/y level), mainly due to the partial release of energy prices for households.

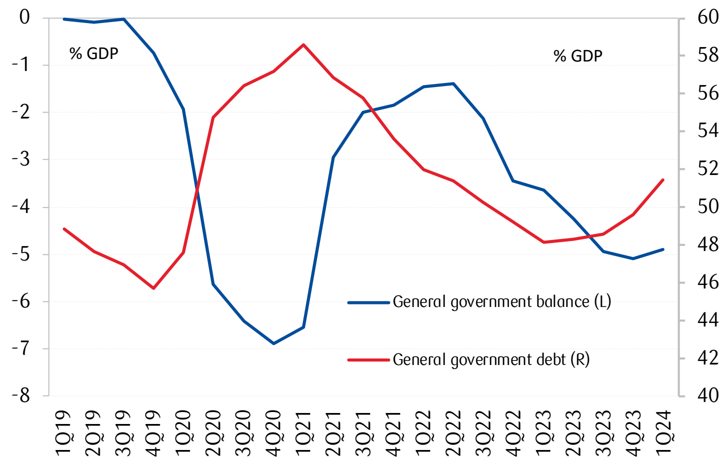
Inflation (%, y/y) and reference rata (%, monthly data)




## CONTROLLED TENSIONS IN PUBLIC FINANCE

At the end of 2023, the fiscal deficit (ESA) increased to 5.1% of GDP, from 4.2% of GDP after mid-2023. In early 2024, the fiscal conditions remained tight, resulting in an increase in government debt as a share of GDP to 51.4% after the first quarter, from 49.6% in 2023. This increase was partly a reflection of a significant progress in the financing of borrowing needs for the entire year (including in foreign markets). The European Commission considered that there were grounds to launch an excessive deficit procedure against Poland, which would force fiscal adjustments of around 0.5% of GDP per year.

Deficit and debt of the public sector




## PERMANENTLY HIGH INTEREST RATES

In the first half of 2024, the Monetary Policy Council (MPC) maintained the NBP basic interest rates unchanged. After the rate cuts of a total of 100 b.p. in September-October 2023, the MPC adopted a wait-and-see attitude and has been refraining for changing monetary policy parameters since then. It has substantiated its decision on grounds of, among other things, regulatory uncertainty regarding future energy prices and loose fiscal policy. Despite a series of positive inflation surprises and generally optimistic trajectory of the NBP projection in July 2024, the rhetoric of the NBP Governor has turned more hawkish. At a press conference following the MPC's July meeting, he ruled out interest rate cuts earlier than in 2026. Monetary policy in Poland remains restrictive and puts a constraint on both economic activity and inflation.

**NBP interest rates in the first half of 2024 (in %)**

- reference rate 5,75
- bill rediscount rate 5,80
- bill discount rate 5,85
- lombard rate 6,25
- deposit rate 5,25

## SITUATION ON THE FINANCIAL MARKET

In the first half of 2024 financial markets were engulfed by rising demand for risky assets, spurred by the global economy's resilience to the environment of high interest rates and expectations of the start of monetary easing in developed countries. The optimism was somewhat cooled by a slowdown in the disinflation process, intensifying global geopolitical risks and growing political uncertainty in view of the French parliamentary elections and US presidential elections.

### INTEREST RATE MARKET

In the first half of 2024, the yields of Polish Treasury bonds rose by nearly half a percentage point, reaching 5.54% – in the case of 5-year bonds, and 5.70% – in the case of 10-year bonds at the end of June. The spike in the yield curve was largely prompted by the MPC indicating the need to keep interest rates unchanged until at least the end of this year, which was contrary to investor's expectations. Polish bonds were further unfavourably affected by the high supply of the securities on the primary market and the postponed process of monetary easing in developed economies.

### CURRENCY MARKET

The exchange rate of the zloty fluctuated around the level of 4.30 against the euro (EUR) and 4 against the US dollar (USD), supported by relatively high real interest rates in Poland, and the announcement of maintaining a restrictive monetary policy in the longer term, as well as growing appetite for risk assets worldwide. In addition, the Polish currency was strengthened by favourable financial flows related to international trade, investment and EU funds. The scale of the zloty's appreciation was limited by the postponed interest rate cuts in the US. The end of the first half of the year saw increased volatility due to impending geopolitical risks.

### STOCK MARKET

The first half of 2024 turned out to be positive for the share prices of Polish companies, with the main index of the Warsaw Stock Exchange (WIG) gaining nearly 13%. The rally in instrument prices was supported by strong domestic macroeconomic data and the further acceleration of GDP growth projected in the coming quarters, improving the outlook for companies' earnings. Reasonable market indicators signalled upside potential, which was further leveraged by the bullish sentiment prevailing on most stock exchanges, including the US in particular.

### ECONOMIC SITUATION ON THE UKRAINIAN MARKET

In the first quarter of 2024, GDP growth accelerated to 6.5% y/y from 4.7% y/y in the fourth quarter of 2023. The National Bank of Ukraine (NBU) expects GDP growth to gradually decelerate to 3% (annual average) in 2024, compared to 5.3% growth in 2023. The economic recovery seen in recent months is fading and the balance of risks is shifting towards a weaker recovery. The main reason for the downturn is major disruptions in power supply, which force production shutdowns, drive up energy prices and significantly deteriorate consumer sentiment. The labour market is characterised by stagnant demand and a falling supply of workers, which leads to higher labour costs. At the same time, despite rapidly rising real incomes, consumers remain cautious and are becoming less and less willing to spend. There are positive trends in agriculture – this year's harvest is likely to be higher than last year's, plus transport channels are now unobstructed. Inflation remains low (3.3% y/y in May 2024), but is likely to pick up due to more expensive electricity. The NBU continues a cycle of interest rate cuts – the main NBU rate has been 13% since June 2024. The country's significant challenge is to finance the fiscal deficit, which is expected to exceed 20% of GDP this year, in the face of dwindling and less regular foreign aid and loans, that are crucial for maintaining liquidity and financing the government's financing needs.

### UKRAINIAN BANKING SECTOR

According to the NBU data, at the end of May 2024, 63 banks were operating in Ukraine, compared to 65 banks a year earlier (2 banks had been taken over). The value of the sector's assets at the end of May 2024 was UAH 3.07 trillion (up 23% y/y) and the value of equity was UAH 341.8 billion (up 36.1% y/y). The equity to assets ratio at the end of May 2024 was 11.1%, compared to 10.1% at the end of May 2023.

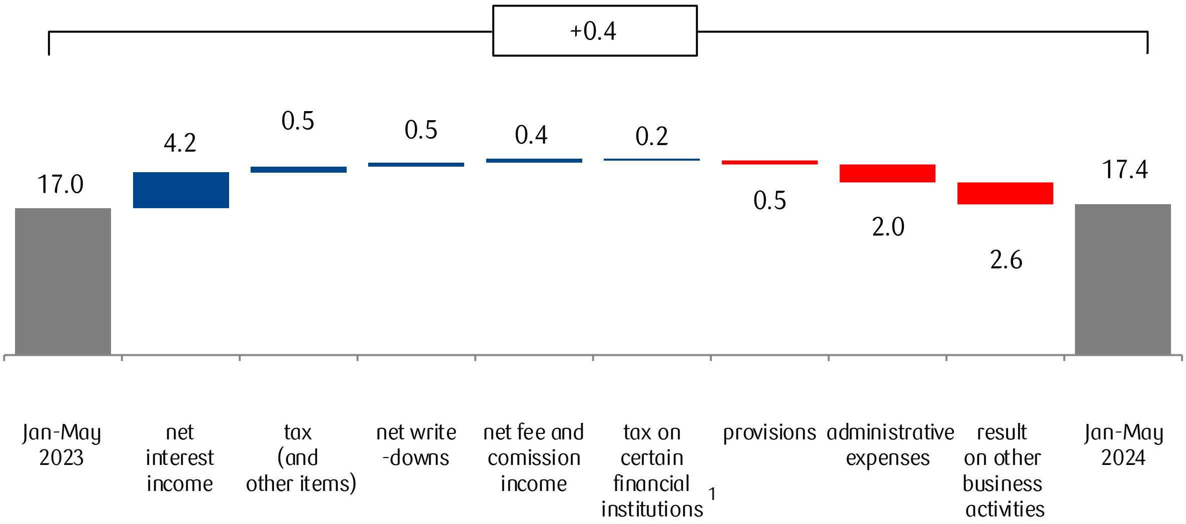
The banking sector is stable, maintains customer confidence, is gradually expanding the scale of lending to the economy with falling credit risk, and participates in the financing of the public sector deficit. At the end of May 2024, the R2 capital adequacy ratio was 19.1% (the requirement is 10%), compared to 22.8% at the end of May 2023. The slight decrease was mainly the result of tighter capital requirements. The banking sector remains very liquid – the loan to deposit ratio in May 2024 was 43.3% and continued a medium-term downward trend. In May 2024, total volume of loans increased by 10.9% y/y to UAH 1.1 trillion, which represents a notable rebound after the troughs seen in 2023. The fastest-growing loan type was household loans (19.5% y/y in May 2024), with much slower dynamics in business loans (5.3% y/y in May 2024), mainly as a result of low business demand for loans. Deposits in May 2024 increased by 21.7% y/y, to UAH 2.15 trillion. The annual growth rate of deposits has stabilised at above 20% y/y since the fourth quarter of 2023.

In May 2024, the return on assets (ROA) was 5.5% and the return on equity (ROE) was 50.6%, after both rates stood at 5.3% and 54.0%, respectively, in May 2023.

## 3.2. CONDITION OF THE POLISH BANKING AND NON-BANKING SECTOR[4]

### NET PROFIT AND RETURNS

Change in the net profit of the banking sector (PLN billion)




1) Estimated change in bank tax

Between January and May 2024, the banking sector reported record-high net profit of PLN 17.4 billion, compared to PLN 17.0 billion profit earned in the corresponding period of 2023 (according to NBP data, the banking sector's profit in the first half of 2024 exceeded PLN 20 billion, for the first time ever for corresponding periods). The rolling return on equity (12M ROE) was 11.3%.

The main driver of the improvement in net profit was an increase in the result on core business. Net interest income increased by 10.9% y/y and this was despite a 1.0 p.p. drop in interest rates in the second half of 2023. The economic upswing combined with improved consumer sentiment in 2024 strengthened their transactionality and activity in the financial markets, while the continued processing of applications under the government's "2% Safe Loan" programme in the first quarter of 2024 boosted the sales of housing loans, which resulted in an increase in commission income as well (+5.5% y/y).

Rising prices (in particular energy) and increasing wages translated into higher operating expenses. At the same time, banks were charged with the cost of contribution to the deposit guarantee fund and the cost of additional provisions for the legal risk of CHF housing loans.

The capital situation of banks was good, as they were supported by high profitability, higher valuation of debt instruments on the balance sheet and bond issues to meet the MREL requirement, that has been in force since the beginning of 2024. As of the end of March 2024, the total capital ratio amounted to 20.9%.

### LOAN AND DEPOSIT MARKET

At the end of June 2024, the total volume of loans (net of exchange rate changes) increased slightly by 3.1% y/y (vs. an increase of 1.3% y/y at the end of 2023 and the growth rate of 0.0% y/y at the end of June 2023). As far as deposits are concerned, the annual growth rate at the end of June 2024 was 9.1% y/y (compared to 10.6% y/y at the end of 2023). The growth was mainly contributed by the inflow of deposits from private individuals and the budget sector.

Housing loans in PLN increased by 8.3% y/y at the end of June (vs. a 2.2% y/y decline at the end of 2023 and a 2.9% y/y decline in June 2023). Such an improvement in the annual growth of the PLN housing loan volume was mainly attributable to the boost in new sales of mortgage loans under the government's "2% Safe Loan" programme.

[4] Analysis based on available data as of the reporting date. Descriptions based on the latest available data of the PFSA (banking sector, insurance), Online Analysis (investment funds), the Polish Leasing Association and the Polish Factors Association.

A significant improvement in y/y volume growth can also be seen in the consumer loan segment, where the loan growth rate (net of exchange rate changes) at the end of June 2024 was 4.5% y/y (vs. a 2.1% y/y increase at the end of 2023). This was supported by rising real wage levels, translating into improved consumer sentiment.

Modest signs of recovery are also noticeable in the corporate lending segment, where the loan growth rate at the end of June 2024 was 0.1% y/y (vs. a 0.7% y/y decline at the end of 2023). The second half of this year should bring increased demand for corporate financing in the wake of a gradual improvement in macroeconomic conditions and in view of the economy's strong investment needs, linked to, among other things, the unlocking of NRP funds and the energy transition.

In June, the growth rate of deposits from private individuals slowed slightly to 11.3% y/y (vs. 12.3% y/y at the end of 2023). We are also seeing a marked change in their structure (the growth rate of time deposits slowed to 4.1% y/y at the end of June 2024 vs. 18.7% y/y at the end of 2023, while the growth rate of current deposits accelerated to 14.6% y/y vs. 7.3% y/y at the end of 2023. Due to the drop in interest rates on bank deposits, households are now looking for more profitable forms of investing their savings (mainly in the form of Treasury bonds and investment funds).

Liquidity of the banking sector remains high – the loan/deposit ratio decreased to 68.5% at the end of June, compared to 69.2% at the end of 2023.

### INVESTMENT FUND MARKET

In the first half of 2024, assets under management of Investment Fund Companies (TFI) increased to PLN 358.3 billion (+22.8% y/y), including the growth of assets of individuals to PLN 228.4 billion (+35.8% y/y). As of the end of June, the value of funds accumulated in target date funds under Employee Capital Plans (PPK) amounted to PLN 24.01 billion (+65.4% y/y).

In the first half of 2024, the market recorded a balance of deposits and redemptions of PLN 22.3 billion, compared to PLN 8.6 billion in the first half of the previous year. Such a major increase in net contributions to Investment Funds (IFs) is mostly the result of individuals' demand for debt funds. Of the PLN 22.6 billion paid by individuals to IFs between January and June 2024, as much as PLN 18 billion went to debt funds and PLN 3.3 billion to target date funds under PPK. Despite a positive momentum on the financial markets, equity funds did not enjoy much interest from individuals, recording a mere PLN 0.003 billion of net inflow in the analysed period.

### LEASE MARKET

In the first half of 2024, the lease market financed assets with a total value of PLN 47.8 billion, which represents a 14.5% y/y increase compared to the corresponding period of the previous year. Passenger vehicles accounted for the largest share of financed assets (50.7%) in the analysed period, followed by heavy vehicles (12.8%) and machinery and equipment (17.9%).At the end of June 2024, 72.2% of leasing companies' customers were micro and small-sized companies with a turnover of less than PLN 20 million (increase of 0.1 p.p. y/y). In turn, the share of individual customers was 1.4%. The total value of the active lease portfolio at the end of June 2024 was PLN 212.0 billion and was 8.0% y/y higher than at the end of the first half of 2023.

### FACTORING MARKET

In the first half of 2024, the total turnover of the companies associated with the Polish Factoring Union amounted to PLN 228.3 billion and was 1.1% y/y higher compared to the first half of 2023. The first half of 2024 saw a slight drop in the number of businesses using factoring services – down by 0.3% y/y, to 24,1 thousand customers. In turn, the number of debtors in the analysed period increased by 14.6%. The largest demand on the part of enterprises was still for factoring without recourse, whose share in sales of factoring companies was 49.3%. The share of domestic factoring was 84.8%.

### OPEN PENSION FUND MARKET

At the end of June 2024, the assets of Open Pension Funds (OFEs) increased by 29.5% y/y (+PLN +52.8 billion) to PLN 232.1 billion, driven mainly by a significant improvement of sentiment on the domestic equity market coupled with continued positive momentum on global financial markets. Shares of companies listed on the domestic regulated market held a dominant position in the structure of OFE assets (approx. 80.8% of net assets at the end of June 2024). The number of OFE members at the end of June 2024 stood at 14.4 million, down 2.0% y/y (-289 thousand people).

### INSURANCE MARKET

In the first quarter of 2024, insurance companies generated a total net profit of PLN 1.7 billion (-26.4% y/y), however their technical profit from insurance increased by 7.3% y/y (to PLN 1.7 billion). The financial performance of insurance companies was affected by a 9.1% y/y increase in gross premium written (to PLN 21.9 billion), with a slower rise in the cost of compensation and benefits paid (4.7% y/y, to PLN 11.1 billion). Meanwhile, the cost of insurance activities increased by 9.2% y/y (to PLN 5 billion).

In the life insurance segment, gross premium written was 5.7% y/y higher (PLN 5.7 billion), with a 3.5% y/y decrease in the cost of compensation and benefits (to PLN 4.2 billion). Costs of insurance activities in the life insurance segment increased by 5.1% y/y to (PLN 1.5 billion).

The other non-life insurance segment posted a y/y increase in gross premiums written of 10.2% (to PLN 16.1 billion), with a slight increase in the cost of compensation and benefits paid (10.4% y/y, to PLN 6.9 billion). Costs of insurance activities in the other personal and property insurance segment increased by 11.2% y/y (to PLN 3.5 billion).

## 3.3. REGULATORY AND LEGAL ENVIRONMENT

The financial position and operations of the Bank's Group were affected by new legal and regulatory solutions and supervisory recommendations that came into force in the first half of 2024, including in particular:

| RELATED TO LOANS |
|---|
| On 7 January 2024, the Act of 14 April 2023 on consumer Lombard loan amended, among others, the Civil Code and the Consumer Credit Act. As a result of the amendments, protection provided for in the Consumer Credit Act has been extended to all persons running an agricultural holding for the production of crops or animals (including horticulture, fruit growing, beekeeping and fishing) in cases where financing of up to PLN 255,550 is granted. On 29 April 2024, the Act amending the Civil Code, the Consumer Credit Act and the Consumer Lombard Loan Act entered into force, repealing the above-mentioned consumer protection for farmers. |
| On 15 May 2024, the Act amending the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on crowdfunding for business ventures and assistance for borrowers entered into force. The Act made it possible for borrowers to suspend mortgage payments for 2 months each in the third and fourth quarter of 2024. A newly introduced requirement for suspension is that the value of the loan granted does not exceed PLN 1.2 million and that the arithmetic mean of the instalment to income ratio (ITI) for the last 3 months preceding the month of the application for suspension exceeds 30% or that the consumer has at least three dependent children. |
| Amendment to Recommendation S of the PFSA with regard to the calculation of creditworthiness of 19 June 2023 introduced a countercyclical system for calculating the interest rate buffer. It led to a reduction in the buffer for loans with variable interest rates under the current macroeconomic conditions, as well as the reduction in the buffer for loans with a periodical fixed interest rate and the period of determination of this rate for more than 5 years.<br>It also introduced:<br>1. a new approach to setting this buffer, which has a positive impact on creditworthiness in the period of falling rates,<br>2. as of 1 July 2024, an obligation to inform a mortgage loan applicant about the consequences of a possible decrease in the value of the property which is to be used as collateral for the loan. |
| On 12 January 2024, the Court of Justice of the European Union, in Case C-488/23, ruled that the provisions of Directive 93/13 preclude a judicial interpretation of the law of a Member State, according to which, in the case of a void agreement, the bank is entitled to demand from the consumer – in addition to the reimbursement of the principal disbursed as part of the agreement performance plus statutory default interest accrued from the date of the demand for payment – compensation consisting in judicial adjustment of the amount of disbursed principal, if there is a substantial change in the purchasing power of the currency after the principal has been transferred to the consumer. This ruling has a significant impact on the extent of the Bank's restitution claims, as it excludes the possibility of claiming the adjustment of principal disbursed by the Bank. |
| On 25 April 2024, the Supreme Court, represented by the entire Civil Chamber, adopted the following resolution in Case III CZP 25/22 (formerly III CZP 11/21 - questions asked by the First President of the Supreme Court):<br>1. if a provision of a loan agreement indexed to or denominated in foreign currency relating to the method of determining a foreign currency exchange rate is found to be an illicit contractual provision and is not binding, |

it cannot be assumed under the existing legislation that another method of determining the foreign currency exchange rate resulting from law or custom replaces such provision,

2. if it is impossible to establish a foreign currency exchange rate binding on the parties in a loan agreement indexed to or denominated in foreign currency, the remainder of the agreement is also not binding,
3. where, in the performance of a loan agreement which is not binding due to the illicit nature of its provision, the bank has disbursed to the borrower all or part of the amount of the loan and the borrower has repaid the loan, independent claims for reimbursement of the wrongful performance arise in favour of each party.
4. if a loan agreement is not binding due to the illicit nature of its provisions, the limitation period of the bank's claim for reimbursement of amounts disbursed under the loan begins to run, in principle, from the day following the day on which the borrower challenged the fact of being bound by the provisions of the agreement against the bank.

If a loan agreement is not binding due to the illicit nature of its provisions, there is no legal basis for either party to claim interest or other consideration for the use of its funds during the period from the time the wrongful performance was made until it falls into arrears as to the reimbursement of that performance.

### Related to the financial market

Most of the provisions of the Act amending certain acts in connection with ensuring the development of the financial market and the protection of investors in this market entered into force on 29 September 2023, but some of them entered into force also in the first half of 2024. Under this Act, dozens of legal acts regulating, inter alia, the functioning of the financial market and the banking sector have been amended. The Act also introduces new regulations on outsourcing and sub-outsourcing in the banking sector, which are meant to streamline existing procedures and bring them in line with the Guidelines of the European Banking Authority. The Act aims to organise and streamline the functioning of financial market institutions, in particular with regard to the elimination of barriers to access the financial market, the improvement of oversight of the financial market, the protection of customers of financial institutions, the protection of minority shareholders in public companies and the increase of the level of digitisation in the implementation of supervisory duties by the PFSA and the PFSA Office. One of the key amendments is the restriction of the sale of corporate bonds to retail clients outside the regulated market or alternative trading system and crowdfunding platforms. The Act modifies and extends the existing rules regarding the blocking of accounts when, based on available information, there is a suspicion that a transaction made or planned may be linked to the commitment of a specific offence. In addition, the Act enables the exchange of information covered by secrecy (e.g. banking secrecy) where this is necessary for taking measures to counter threats to the security of ICT systems. Another new solution is the introduction of the option to use electronic service during the activities carried out by the PFSA, which represents a clear shift towards electronic communication between the PFSA and supervised entities.

### Concerning insurance

On 26 June 2023, the PFSA issued a new Recommendation U concerning good practices in the area of bancassurance, effective as of 1 July 2024. The primary objective of the amended Recommendation U is to ensure that customers get appropriate value for money with regard to insurance products offered through bancassurance, with a particular focus on loan or credit repayment insurance (the so-called CPI products) and the manner of offering insurance products taking into account the interests of the customer and the cost of insurance coverage. The new Recommendation U emphasised the role of the audit committee with regard to the internal control system and the risk management system.

### With respect to risk management

On 19 June 2024, the European Parliament and the Council of the European Union published Regulation 2024/1623 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor. A significant part of the Regulation's provisions will apply from 1 January 2025 and will result in a change in the approach to the calculation of capital requirements.

On 24 April 2024, the European Parliament and the Council of the European Union published Regulation (2024/856) supplementing Regulation 2013/36/EU with regard to regulatory technical standards specifying the supervisory shock scenarios, the common modelling and parametric assumptions and what constitutes a large decline. The Regulation entered into force on 14 May 2024. It introduces the need to monitor, control and manage the use of the SOT NII limit for Tier 1 capital at 5%.

On 24 April 2024, the European Parliament and the Council of the European Union published Regulation (2024/855) amending the implementing technical standards laid down in Implementing Regulation (EU) 2021/451 as regards rules on the supervisory reporting of interest rate risk in the banking book (IRRBB). The Regulation entered into force on 14 May 2024 and is applicable as from 1 September 2024. It results in a change of the form of IRRBB reporting to EBA.

On 26 February 2024, the PFSA adopted Recommendation G (replacing the previous revision from 2002) concerning the management of interest rate risk in banks. It was adopted to reflect changes in generally applicable legislation and the current market situation. The regulation is a set of good practices as regards interest rate risk management in banks and keeping the financial result volatility sensitive to that risk and measures of economic value within limits that do not compromise the bank's security. The recommendation takes into account the current conditions in respect of products generating interest rate risk and techniques for managing this risk. The final shape of the Recommendation was influenced by both the provisions of national legislation and the recently developed package of EU regulations on interest rate risk management. The amended Recommendation G contains provisions clarifying and supplementing the above regulations, in particular with regard to the management of interest rate risk in banks, also in the trading book. Banks must adapt their operations to Recommendation G not later than by 31 December 2024.

### CONCERNING THE VERIFICATION OF IDENTITY

On 1 June 2024 the Act of 7 July 2023 amending certain acts to mitigate certain effects of identity theft. The Act aims to increase protection against fraud resulting from data theft and to reduce the scale of fraudulent financial transfers involving the incurrence of financial liabilities (e.g. credit agreements, loan agreements, real estate sale agreements) in someone else's name without the owner's knowledge and consent, as well as the so-called SIM swapping, i.e. making a duplicate SIM card, which can then be used to illegally authorise transactions.

### CONCERNING ELECTRONIC DELIVERY

The Act of 12 December 2023 amended the provisions of the Act of 18 November 2020 on electronic delivery. The legislator has postponed the effective date of the obligation to have an electronic delivery address, indicating that it cannot be earlier than 30 March 2024 and not later than 1 January 2025. In the communication dated 12 July 2024, the Minister of Digital Affairs changed the current deadline for the implementation of the technical solutions necessary for the delivery of correspondence using a public registered electronic delivery service or a public hybrid service and for making available in the ICT system an access point for cross-border registered electronic delivery services from 1 October 2024 to 1 January 2025. This means that, as of 1 April 2025, non-public entities registered with the National Court Register before 1 January 2025 are required to have an electronic delivery address entered in the electronic address database.

### CONCERNING RESIDENTIAL TRUST ACCOUNTS

Amendments to the Act of 20 May 2021 on the protection of the rights of the purchaser of a residential unit or a detached house and the Developer Guarantee Fund ("Developer Act") introduced by two Acts of 7 July 2023:

1. on a pan-European individual pension product,
2. on amending the Act on spatial planning and development and certain other acts.

The Acts have a direct impact on, among other things, the revision of the investment prospectus prepared by developers and, by extension, on the conditions under which banks provide services involving the maintenance of closed and open residential trust accounts. 1 July 2024 marked the end of the transitional period introduced by the Developer Act, authorising the application of the provisions of the previous Act to developer projects and agreements commenced before 1 July 2022, ended.

### CONCERNING TAXES

Amendments to the Corporate Income Tax Act and the Personal Income Tax Act effective from 1 January 2024 and concerning the fulfilment of the remitter's (including the technical remitter's) obligations, as well as disclosure requirements with regard to, inter alia, selected income from bonds, income from investments in equity funds, including the extension of the period of application of the exclusion of the so-called pay & refund mechanism.

### CONCERNING COMPLIANCE WITH THE ACCESSIBILITY REQUIREMENTS

On 15 May 2024, the Act of 26 April 2024 on ensuring economic operators' compliance with the accessibility requirements for certain products and services was promulgated. The Act implements Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services. The Act sets out the accessibility requirements (characteristics of a product or service that enable its use for intended purpose by people with special needs on par with other users) that must be met by products and services.

The requirements were introduced so that economic operators employ information and technology solutions that enable and facilitate the use of specific products by people with special needs, as well as to reduce social exclusion.

The Act also regulates administrative fines that will be imposed by the President of the Management Board of PFRON or a market surveillance authority on economic operators that fail to fulfil their obligations under the Act. The amount of the fines will be up to ten times the average monthly salary in the national economy for the previous year. The Act enters into force on 28 June 2025.

#### CONCERNING THE PROTECTION OF WHISTLEBLOWERS

On 24 June 2024, the Act of 16 June 2024 on the protection of whistleblowers was promulgated. The Act enters into force on 25 September 2024, with the exception of provisions entering into force at a different date. The purpose of the Act is to implement into national law the provisions of Directive 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (OJ EU L 305 of 26.11.2019, page 17, as amended). The Act regulates the rules of protection of whistleblowers, i.e. individuals who report or publicly disclose information about a violation of the law obtained in a work-related context.

## 3.4. FACTORS THAT DETERMINE FUTURE PERFORMANCE

PKO Bank Polski S.A identifies a significant risk arising from macroeconomic trends and regulatory changes. The following external factors may impact the operations and future financial performance of the Bank's Group.

#### IN THE GLOBAL ECONOMY:

- increased geopolitical risk, with the threat of escalating conflicts in Ukraine, around Taiwan, in the Middle East, and increased political uncertainty around the US presidential election,
- continued relatively low rates of global economic growth, including the slowdown in the US economy and the stagnation trends in Germany,
- risk of reoccurrence of disruptions in supply chains and re-tightening of trade barriers, including in the form of new/higher tariffs,
- risk of a potential additional burden related to the implementation of the global minimum tax (Pillar II) in connection with Council Directive (EU) 2022/2523, which has not yet been implemented in Poland, but since 1 January 2024 has been effective in selected tax jurisdictions where the Bank operates foreign branches and subsidiaries,
- changes in climate policy, including the accelerating energy transition and the increasing stringency and importance of environmental requirements, as well as changes in the climate itself, and their consequences.

#### IN POLISH ECONOMY:

- continued economic upswing, that is still to be driven primarily by a recovery in private consumption,
- the scale and pace of the inflow of EU funds, including under the NRP, and the possibility of their quick utilisation with the risk of supply constraints,
- the path of further changes in NBP interest rates and the level of the mandatory reserve,
- the continuation of strong cost pressures from the labour market in the face of recovery of demand for workforce,
- regulatory changes with regard to labour costs (minimum wage, contribution regulations),
- the intensity and persistence of pro-inflationary factors and regulatory measures aimed at curtailing the scale of price growth,
- risks associated with the increasing polarisation of the political scene, which may limit the effectiveness of the government and affect the operation of some public institutions, including the NBP,
- migration flows, including their impact on labor supply and aggregate demand in the economy,
- the shape and timing of introduction of programmes to support mortgage borrowers, e.g. the government's "Apartment for a start" loan programme,
- The introduction (and rate) of the Long-Term Financing Ratio and its impact on the long-term financing market,
- risk of incurring a minimum corporate income tax liability (effective as of 1 January 2024) if the taxpayer suffers a loss or generates low income,

- the establishment of a neutral countercyclical buffer level of 1% – after 12 months, and 2% – after 24 months from the Minister of Finance promulgating the regulation governing this matter may entail the need to strengthen the capital position through new issues or profit retention, or through optimisation measures with respect to the assets,
- the CJEU's ruling on the mutual settlements between the parties to a CHF mortgage loan agreement following its annulment, in particular in relation to the CJEU's judgment in Case C-520/21, which held that EU rules preclude a judicial interpretation of national law where a credit institution is entitled to demand an amount from a consumer in excess of the principal of the loan disbursed and any interest on arrears from the date of the demand for repayment of the principal disbursed,
- risk of a fine being imposed by the PFSA Office as part of ongoing administrative proceedings in connection with suspected breaches of governance and control requirements by PKO Bank Polski S.A. due to the submission to GPW Benchmark (Administrator) of incorrect input data necessary for the provision of the WIRON benchmark,
- risk of a fine being imposed by the President of the Office of Competition and Consumer Protection as part of proceedings pending against the Bank: in matters related to violation of the collective interest of consumers in the handling of complaints concerning the so-called "unauthorised transactions", and in matters related to modification clauses or clauses concerning a change of the interest rate in contractual templates used by the Bank,
- further court decisions on the issue of foreign-currency housing loans and PLN loans based on WIBOR rates,
- risk of an unfavourable trend in judicial decisions leading to borrowers' increased reliance on the free credit sanction due to inadequate — in the opinion of customers or law firms specialising in pursuing such claims — compliance by the Bank with its obligations under the Consumer Credit Act, including as a result of the CJEU or national courts possibly challenging the ability to charge interest on the so-called consumer credit costs which are not "hand-delivered" to the borrower.

# 4. ORGANISATION OF THE GROUP

## 4.1. COMPOSITION OF THE SUPERVISORY BOARD AND MANAGEMENT BOARD OF THE BANK

### CHANGES IN THE COMPOSITION OF THE BANK'S SUPERVISORY BOARD

On 2 February 2024, the Extraordinary General Meeting (EGM) of the Bank:

- dismissed 8 of the 10 members from the Supervisory Board of PKO Bank Polski S.A., i.e. Messrs: Mariusz Andrzejewski, Wojciech Jasiński, Dominik Kaczmarski, Rafał Kos, Tomasz Kuczur, Maciej Łopiński, Robert Pietryszyn and Bogdan Szafranski,
- appointed the following Ladies to the Supervisory Board of PKO Bank Polski S.A.: Hanna Kuzinska and Katarzyna Zimnicka-Jankowska, and the following Messrs: Maciej Cieślukowski, Szymon Midera, Andrzej Oślizło, Marek Panfil, Marek Radzikowski and Paweł Waniowski.

On 28 June 2024, the General Meeting (GM) of the Bank appointed the following persons as members of the Bank's Supervisory Board for a new joint 3-year term of office, that commenced on 28 June 2024:

- 6 of the existing members of the Bank's Supervisory Board, namely: Ladies: Hanna Kuzinska and Katarzyna Zimnicka-Jankowska, and the following Messrs: Maciej Cieślukowski, Andrzej Oślizło, Marek Panfil, Paweł Waniowski,
- a new member of the Bank's Supervisory Board, Jerzy Kalinowski.

The Treasury, as an Eligible Shareholder under the Bank's Articles of Association on both 2 February and 28 June 2024, appointed:

- Ms Katarzyna Zimnicka-Jankowska – as Chair of the Bank's Supervisory Board,
- Mr Paweł Waniowski – as Deputy Chair of the Bank's Supervisory Board.

On 2 February and 28 June 2024, the EGM and the GM confirmed the individual suitability of the newly appointed members of the Bank's Supervisory Board and the collective suitability of the entire body.

As a result of the aforementioned changes, the composition of the Bank's Supervisory Board as at 30 June 2024 was as follows:

1. Katarzyna Zimnicka-Jankowska - Chair,
2. Paweł Waniowski - Deputy Chair,
3. Maciej Cieślukowski - Member,
4. Jerzy Kalinowski - Member,
5. Hanna Kuzińska - Member,
6. Andrzej Oślizło - Member,
7. Marek Panfil – Member.

Biographical notes of members of the Supervisory Board are available on the Bank's website.

## CHANGES IN THE COMPOSITION OF THE BANK'S MANAGEMENT BOARD

On 7 February 2024, Mr Dariusz Szwed resigned from the function of President of the Bank's Management Board and from the membership in the Bank's Management Board, effective as of 14 February 2024.

On 14 February 2024, the Bank's Supervisory Board:

- dismissed 6 of the 8 members from the Management Board of PKO Bank Polski S.A., namely: Messrs: Andrzej Kopyrski, Paweł Gruza, Maciej Brzozowski, Marcin Eckert, Wojciech Iwanicki and Artur Kurcweil,
- delegated members of the Bank's Supervisory Board, namely: Messrs:
  - Szymon Midera, to temporarily perform the duties of Vice-President of the Management Board, and entrusted him with the direction of work of the Management Board – in the period from 15 February 2024 to 25 March 2024,
  - Maciej Cieślukowski to temporarily perform the duties of Vice-President of the Management Board – from 14 February 2024 to 21 April 2024,
  - Marek Radzikowski, to temporarily perform the duties of Vice-President of the Management Board – from 14 February 2024 to 21 April 2024,
- approved the individual suitability assessments of the aforementioned delegated members of the Bank's Supervisory Board and the collective suitability assessments of the entire Management Board of the Bank.

On 25 March 2024, the Bank's Supervisory Board decided to start, as of 26 March 2024, a new joint 3-year term of office of the Bank's Management Board, as a result of which:

- in accordance with the successive appointment decisions made by the Bank's Supervisory Board, the following members successively joined the Bank's Management Board:
  - Mr Szymon Midera:
    - ✓ as the Vice-President of the Management Board (who had been also entrusted with directing the work of the Management Board), effective 26 March 2024,
    - ✓ as the President of the Management Board, following consent granted by the PFSA, as of the date of such consent, i.e. on 14 June 2024,
  - Mr Krzysztof Dresler as the Vice-President of the Management Board, effective 26 March 2024,
  - Mr Piotr Mazur as the Vice-President of the Management Board, effective 26 March 2024,
  - Ms Ludmiła Falak-Cyniak as the Vice-President of the Management Board, who eventually took the office on 20 May 2024,
  - Mr Marek Radzikowski as the Vice-President of the Management Board, effective 22 April 2024,
  - Mr Mariusz Zarzycki as the Vice-President of the Management Board, effective 22 April 2024,
  - Mr Michał Sobolewski as the Vice-President of the Management Board, who eventually took the office on 1 July 2024,
- alongside the appointment of candidates to the Bank's Management Board, the Nomination and Remuneration Committee (NRC) of the Supervisory Board carried out individual suitability assessments of the candidates for the Bank's Management Board and collective assessments of the entire Bank's Management Board in connection with the individual members' successively joining the Bank's Management Board,

- The Bank's Supervisory Board approved the suitability assessments carried out by the NRC, confirming the individual suitability of the members of the Bank's Management Board, as well as the collective suitability of the entire Management Board of the Bank.

Before taking up their positions on the Bank's Management Board, Mr Szymon Midera and Mr Marek Radzikowski resigned from their positions and membership of the Bank's Supervisory Board.

As a result of the aforementioned changes, the composition of the Bank's Management Board as at 30 June 2024 was as follows:

1. Szymon Midera, President of the Management Board in charge of the Management Board President's division,
2. Krzysztof Dresler, Vice-President of the Management Board in charge of the Finance and Accounting Division and the Administration Division,
3. Piotr Mazur, Vice-President of the Management Board in charge of the Risk Management Division,
4. Ludmiła Falak-Cyniak, Vice-President of the Management Board in charge of the Corporate and Enterprise Banking Division,
5. Marek Radzikowski, Vice President of the Management Board in charge of the Operations and International Banking Division and, temporarily, the Retail and Corporate Banking Division,
6. Mariusz Zarzycki, Vice-President of the Management Board in charge of the Technology Division.

On 1 July 2024, the composition of the Management Board was completed by Michał Sobolewski, who became responsible for the Administration Division.

Biographical notes of the current members of the Bank's Management Board are available on the Bank's website.

On 11 July 2024, the Bank's Supervisory Board approved the changes in the distribution of powers in the Bank's Management Board made within the existing divisions of the Bank. As a result of the changes, the existing Corporate and Commercial Banking Division was renamed to the Corporate and Investment Banking Division.

Following the changes, the NRC carried out additional assessments of the individual suitability of the Bank's Management Board members affected by the change, while the Bank's Supervisory Board approved the assessments, confirming the individual suitability of the members of the Bank's Management Board.

## 4.2. INFORMATION ON CHANGES IN THE SUITABILITY POLICIES CONCERNING THE BANK'S BODIES

In the first half of 2024:

- no changes were made to the policy for assessing the suitability of members of the Bank's Management Board and key officers of the Bank and for assessing the suitability in the Bank's Group companies,
- On 28 June, the GM:
  - made changes to the policy for assessing the suitability of candidates for members and members of the Bank's Supervisory Board, by adopting a new version of the Policy; the changes concerned in particular:
    - ✓ indicating in the Policy the minimum requirements as regards the necessary qualifications for candidates for members and members of the Bank's Supervisory Board as regards education and experience, as well as the authorisation of the Bank's Supervisory Board to specify those requirements, to be subsequently approved by the General Meeting,
    - ✓ indicating in the Policy the target deadline for the planned achievement of the gender diversity objective in the composition of the Bank's Supervisory Board,
    - ✓ specifying that members of the Bank's Supervisory Board are selected in a manner that ensures equal opportunities (and counteracts discrimination),
    - ✓ clarifying the criteria for assessing the suitability of members of the Supervisory Board in line with the updated version of PFSA's methodology for assessing the suitability of members of governing bodies of entities supervised by the PFSA updated by the PFSA,
  - approved the recommended minimum levels of competence and other requirements for assessing the suitability of candidates for members and members of the Bank's Supervisory Board.

## 4.3. Changes in the policy for remunerating members of the Bank's Management Board

In the first half of 2024, a number of changes were made to the "Policy for remunerating employees of the Bank and the Bank's Group". The changes involved, in particular:

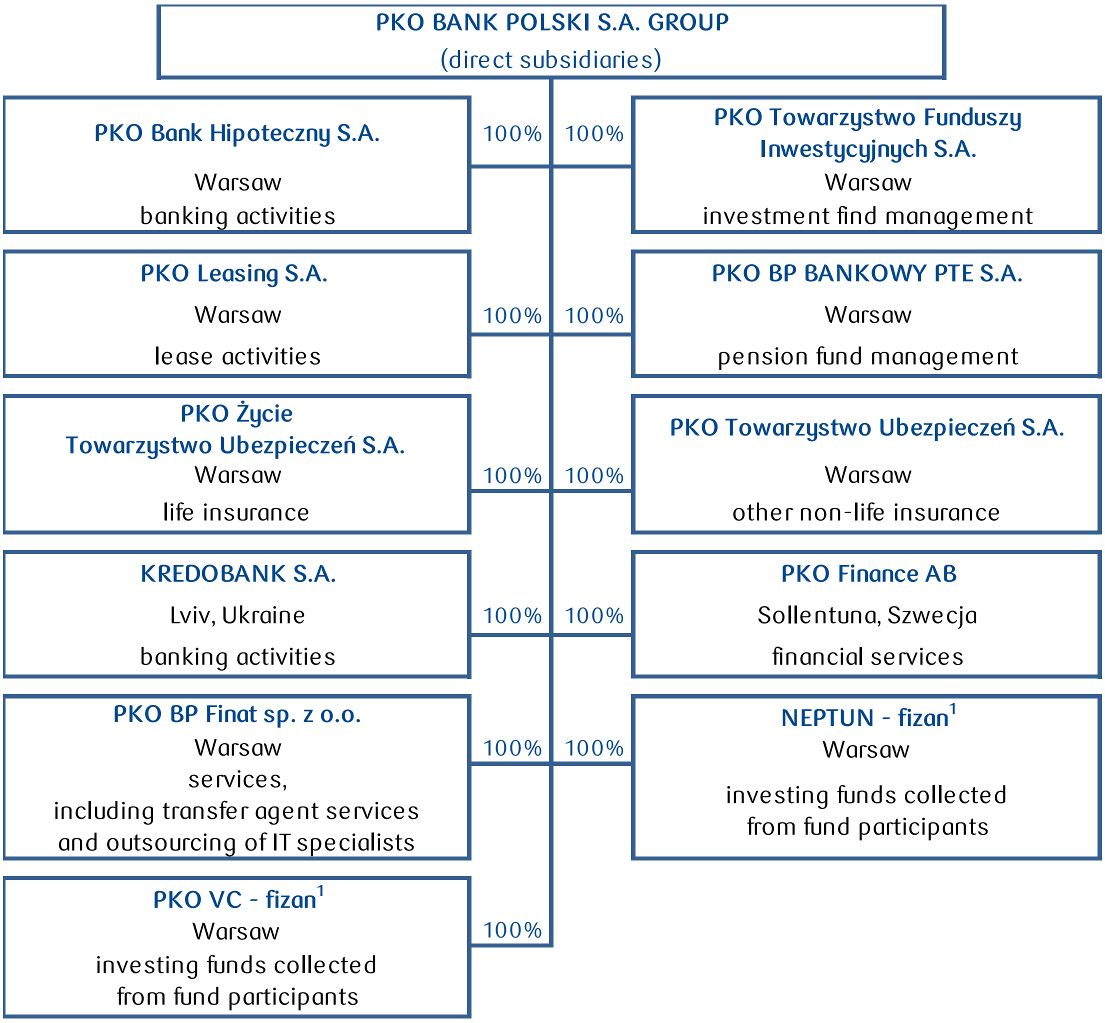
1. determination that, from 2024 onwards, the deferred and non-deferred variable remuneration, instead of the original 50/50 ratio, will consist of the following components:
   - cash, which represents 45% of variable remuneration,
   - a financial instrument, which represents 55% of variable remuneration.
2. clarification of the basis for variable remuneration adjustments; these are based in particular on:
   - a drop in ROA below the level triggering a recovery plan, and a drop in Tier 1 capital ratio or total capital ratio TCR below the level of the combined buffer requirement,
   - a decrease in the NSFR ratio below the level triggering a recovery plan,
   - a decrease in the total capital ratio TCR below the level triggering a recovery plan.
3. clarification that once the combined buffer or leverage ratio buffer is exceeded, variable remuneration components are paid in amounts that do lead to the exceedence of the MDA or L-MDA levels.
4. introduction of amendments addressing, inter alia, severance pay and non-compete clause, which stipulate that only paid services rendered to Group Companies constitute grounds for losing the right to severance pay or compensation under a non-compete clause.
5. inclusion of corporate governance in the process of identifying MRT in Group Companies.
6. addition of a chapter regulating the remuneration of members of Supervisory Boards of Group Companies other than the Bank.

The changes resulting from items 1-4 have been incorporated into the rules for employing and remunerating members of the Bank's Management Board.

## 4.4. Entities covered by the financial statements

Pursuant to the International Financial Reporting Standards (IFRS), as of 30 June 2024 the Bank's Group comprised PKO Bank Polski S.A., as the parent, and 35 direct and/or indirect subsidiaries (at all levels).

List of direct subsidiaries:




1 – PKO Bank Polski S.A. holds investment certificates of the fund.

The list presents the share of PKO Bank Polski S.A. in the company's share capital, and in the case of funds – share of the fund's investment certificates held.

A full list of the Bank's subsidiaries, associated entities and joint ventures is presented in the Financial statements of the Bank's Group for the first half of 2024, in note 1 "Activities of the Group". All subsidiaries are accounted for using the full consolidation method.

In the first half of 2024, the following events occurred in the structure of the Bank's Group:

- On 30 January 2024, the investment funds NEPTUN - fizan (acquiring fund) and Mercury - fizan (acquired fund) merged through the transfer of the assets of the acquired fund to the existing acquiring fund and allocating investment certificates of the acquired fund to a participant in the acquiring fund in exchange for investment certificates of the acquired fund. Merkury – fiz an was struck off from the list of subsidiaries of Bank PKO BP S.A. The companies of the Merkury - fiz an were transferred to the NEPTUN fizan fund,
- In May 2024, the liquidation of Molina spółka z ograniczoną odpowiedzialnością and Molina spółka z ograniczoną odpowiedzialnością 1 S.K.A. (entities from Neptun fizan's portfolio) was registered with the National Court Register. The companies' business names were changed to: Molina spółka z ograniczoną odpowiedzialnością w likwidacji [in liquidation] and Molina spółka z ograniczoną odpowiedzialnością w likwidacji 1 S.K.A. w likwidacji [in liquidation],
- On 11 June 2024, the Ordinary General Meeting of Shareholders of Sarnia Dolina sp. z o.o. (entity from Neptun fizan's portfolio) passed a resolution on winding up the company and opening the liquidation proceedings – by 30 June 2024, the change had not been registered with the National Court Register,
- On 20 June 2024, the Ordinary General Meeting of Molina spółka z ograniczoną odpowiedzialnością 2 S.K.A. w likwidacji [in liquidation] (entity from NEPTUN fizan's portfolio) passed resolutions resulting in the discontinuation of liquidation of the company – by 30 June 2024, the change had not been registered with the National Court Register.

# 5. The PKO Bank Polski S.A. Group development paths

## PKO BANK POLSKI S.A.'S STRATEGY FOR 2023-2025

On 8 December 2022, the Bank's Management Board adopted the Development strategy for PKO Bank Polski S.A. for 2023-2025 "Ready for challenges, focused on the future", as authorised by the Bank's Supervisory Board.

The strategy provides for the achievement of ambitious business goals:

- improving customer satisfaction and reaching the TOP3 in 2025 in terms of the NPS (Net Promoter Score) index, which is used to measure customer loyalty and satisfaction - for each customer group,
- improving employee satisfaction as measured by an increase in the eNPS (Employee Net Promoter Score), i.e. the index used to probe employee satisfaction and engagement, by a minimum of 20 points in 2025 relative to 2022,
- the largest volume of new ESG financing in Poland in 2025,
- a minimum of 30% female Material Risk Takers in 2025,
- the rate of process digitisation for the individual customer nearing 100% in 2025,
- a 25% increase in the base of primary customers (i.e. customers characterised by three types of activity: logging in to remote channels, transactions and cyclical account replenishment) under the age of 35 by 2025 (vs. historical performance),
- 20% growth in non-banking revenues of the Bank's Group companies over the three years covered by the strategy.

In addition to the business objectives, the following financial objectives were also set for the Bank's Group:

- ROE: target of over 12% in 2025, assuming an increase in the Bank's Group's equity of approx. 60% over the strategy horizon and the NBP reference rate at 3.0% in 2025,
- the C/I ratio of lower than 45% in 2025,
- cost of risk in 2025 in the range of 0.70%-0.90%,
- the Bank's capability to pay dividend / buy back shares.

In the first half of 2024, the Bank continued its initiatives to achieve the assumed strategic objectives. These measures are described in Chapter 8 "Business development and other significant events".

As significant factors in the external environment had been identified, in the first half of 2024 the Bank decided to start working on a strategy for 2025-2027. The Bank plans to present the framework of the new strategy in the fourth quarter of 2024.

# 6. FINANCIAL STANDING OF THE BANK'S GROUP

## 6.1. KEY FINANCIAL INDICATORS OF THE GROUP

As a result of the PKO Bank Polski S.A. Group's performance in the first half of 2024, the main financial performance indicators reached the following levels:

Table 2. Financial indicators of the PKO Bank Polski S.A. Group.

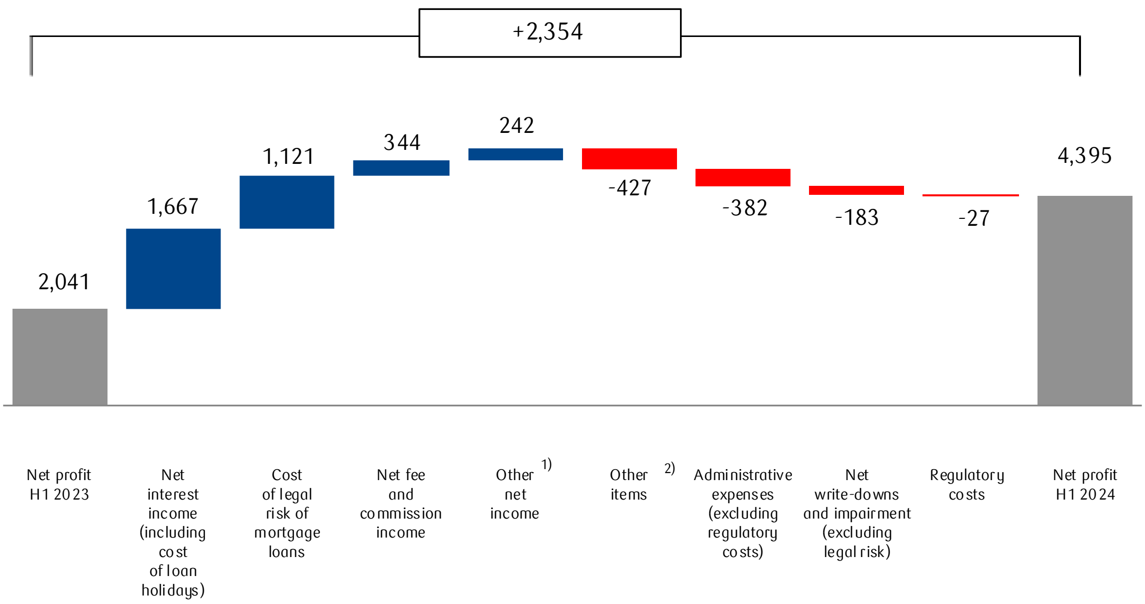
| | | 30.06.2024 | 30.06.2023 | Change |
|---|---|---|---|---|
| **ROE net** | (net profit/(loss)/average equity) | 17.4% | 9.8% | +7.6 p.p. |
| **ROA net** | (net profit/(loss)/average assets) | 1.6% | 0.8% | +0.8 p.p. |
| **C/I** | (cost to income ratio) | 30.4% | 38.3% | -7.9 p.p. |
| **Interest margin**[1)] | (net interest income/average interest-bearing assets) | 4.57% | 4.17% | +0.4 p.p. |
| **Share of impaired exposures** | | 3.54% | 3.64% | -0.1 p.p. |
| **Cost of credit risk** | | 0.39% | 0.53% | -0.14 p.p. |
| **Total capital ratio** | (own funds/total capital requirement*12.5) | 17.89% | 19.83% | -1.94 p.p. |
| **Common equity Tier 1 (CET 1)** | | 17.15% | 18.75% | -1.6 p.p. |
| **Leverage ratio** | | 7.76% | 8.26% | -0.5 p.p. |

1) The interest margin was calculated excluding the effects of the Act on crowdfunding for business ventures and assistance to borrowers (so-called "credit holidays") in the amount of (-) PLN 3,111 million in Q3 2022, (+) PLN 105 million in Q4 2023 and PLN (-)488 million in Q2 2024

## 6.2. FINANCIAL PERFORMANCE OF THE GROUP

The consolidated net profit of the PKO Bank Polski S.A. Group generated in the first half of 2024 amounted to PLN 4,395 million and was PLN 2,354 million (+115%) higher than in the corresponding period of 2023, which was driven by an increase in the result on business activity and lower cost of legal risk of mortgage loans in convertible currencies with higher operating expenses.

Change in net profit of the PKO Bank Polski S.A. Group (in PLN million)




1) Net other income reflects dividend income, result on insurance, result on financial transactions, net foreign exchange gains/(losses) and other net operating income and expense.
2) This item comprises tax on certain financial institutions, share in profits/ (losses) of associates and joint ventures, income tax and profit (loss) attributable to non-controlling shareholders.

The result on business activities in the first half of 2024 amounted to PLN 13,591 million and was PLN 2,253 million (19.9%) higher than in the first half of 2023, mainly as a result of an increase in net interest income.

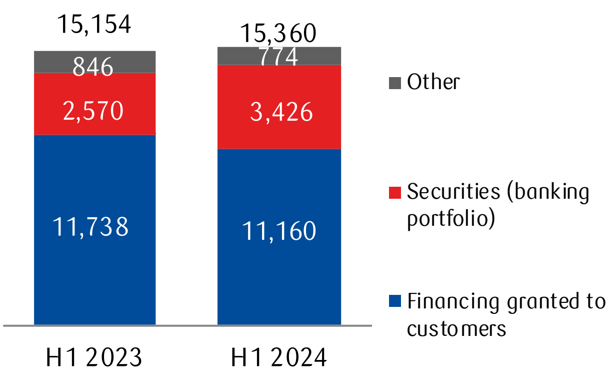
Table 3. Income statement of the PKO Bank Polski S.A. Group (in PLN million)

| | 01.01-30.06.2024 | 01.01-30.06.2023 | Change (in PLN million) | Change (in %) |
|---|---|---|---|---|
| **Net interest income** | **10,246** | **8,579** | **1,667** | **19.4%** |
| **Net fee and commission income** | **2,558** | **2,214** | **344** | **15.5%** |
| **Other net income** | **787** | **545** | **242** | **44.4%** |
| Net insurance income | 366 | 353 | 13 | 3.6% |
| Dividend income | 22 | 12 | 10 | 86.9% |
| Gains/(losses) on financial transactions | 152 | 83 | 69 | 83.1% |
| Foreign exchange gains/(losses) | 147 | 12 | 135 | 11,2x |
| Net other operating income and expenses | 100 | 85 | 15 | 18.1% |
| **Result on business activities** | **13,591** | **11,338** | **2,253** | **19.9%** |
| Administrative expenses | -4,141 | -3,731 | -410 | 11.0% |
| Tax on certain financial institutions | -626 | -610 | -16 | 2.6% |
| **Net operating result** | **8,825** | **6,997** | **1,828** | **26.1%** |
| Net write-downs and impairment | -3,096 | -4,034 | 938 | -23.2% |
| Share in profits ald losses of associates and joined ventures | 61 | 36 | 25 | 69.7% |
| **Profit before tax** | **5,789** | **2,999** | **2,790** | **93.0%** |
| Income tax expense | -1,395 | -957 | -438 | 45.8% |
| **Net profit (including non-controlling shareholders)** | **4,394** | **2,042** | **2,352** | **1,2x** |
| Profit / loss attributable to non-controlling shareholders | -1 | 1 | -2 | **-1,6x** |
| **Net profit (including non-controlling shareholders)** | **4,395** | **2,041** | **2,354** | **1,2x** |

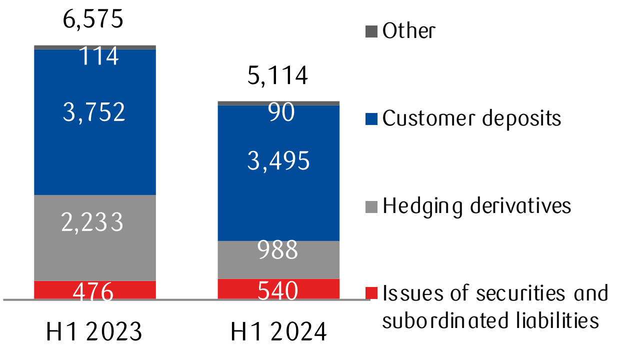
## NET INTEREST INCOME

The net interest income in the first half of 2024 amounted to PLN 10,246 million, i.e. PLN 1,667 million more than in the corresponding period of the previous year. The higher result was mainly driven by a decrease in hedge accounting expenses and an increase in product volumes, counterbalanced by the negative impact of lower interest resulting from interest rate cuts made by the MPC in the second half of 2023.

**Interest income (PLN million)**




**Interest expense (PLN million)**



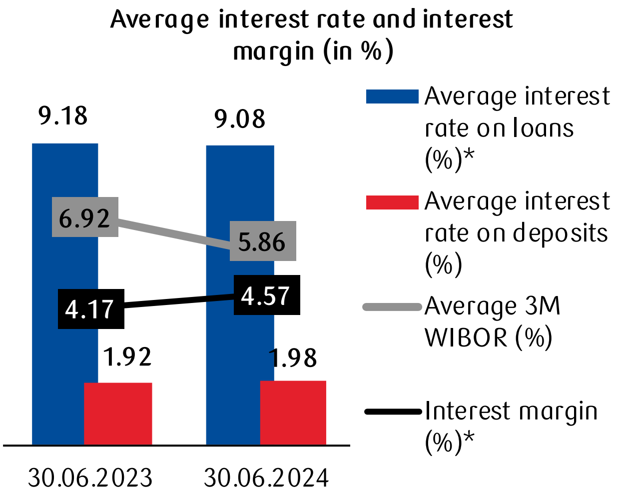

Interest income amounted to PLN 15,360 million and was PLN 206 million higher compared to the corresponding period of 2023, mainly as a result of:

- lower revenue from financing granted to customers (- PLN 579 million y/y) in the wake of lower PLN market interest rates and the recognition of PLN 488 million cost of "credit holidays", with the positive impact of growing average volume of receivables from customers (up by more than PLN 17 billion),

- higher revenue on securities (+ PLN 857 million y/y), as a result of PLN 37 billion increase in the average volume and a spike in the average interest rate on the portfolio owing to significant purchases made at higher yields.

Interest expenses amounted to PLN 5,114 million and were PLN 1,461 million lower than in the coresponding period of 2023, in particular as a result of:

- interest costs on derivative hedging instruments lower by PLN 1,245 million, mainly related to IRS transactions,
- deposit base costs lower by PLN 257 million as a result of adjusting the deposit offer to interest rate cuts and the conversion of funds to current accounts, accompanied by an increase in the average volume of deposits of over PLN 43 billion compared to the corresponding period of 2023.




* The ratios were calculated excluding the impact of the recognition of statutory credit holidays (in the amount of -PLN 3,111 million in July 2022, +PLN 105 million in November 2023 and -488 million in May 2024)

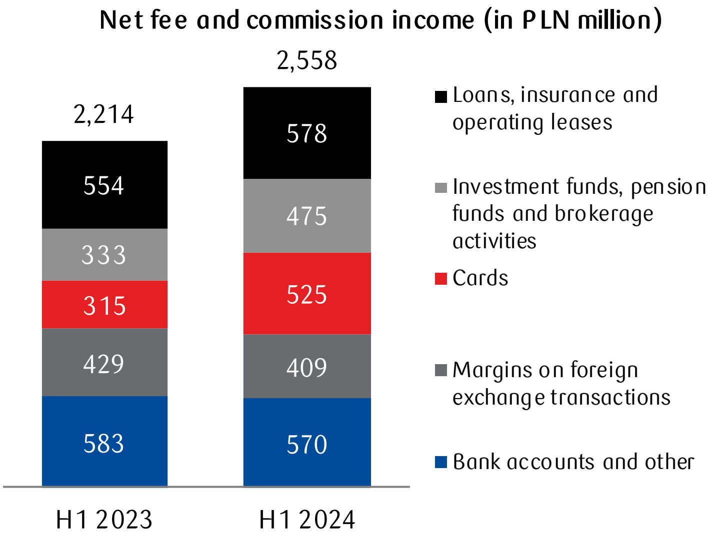
Net interest margin increased by 0.40 p.p. y/y, to 4.57% at the end of the first half of 2024. The average interest on loan receivables at the end of the first half of 2024 was 9.08% and the average interest on deposits amounted to 1.98%, compared to 9.18% and 1.92%, respectively, at the end of the first half of 2023.

## NET FEE AND COMMISSION INCOME

Net fee and commission income achieved in the first half of 2024 amounted to PLN 2,558 million and was PLN 344 million higher y/y.

The income was affected, among other things, by:

- higher net income on cards (+ PLN 210 million y/y) mainly due to higher commissions for settlements with payment organisations and improved transactionality,
- higher net income on investment funds, pension funds and brokerage activities (+ PLN 142 million y/y), mainly as a result of higher commissions for the sale of Treasury Bonds, for the management of investment funds, commissions from the primary market and pension funds,
- higher net income on loans, insurance and operating leases (+ PLN 24 million y/y), mainly as a result of an increase in commission income from housing loans and operating leases,

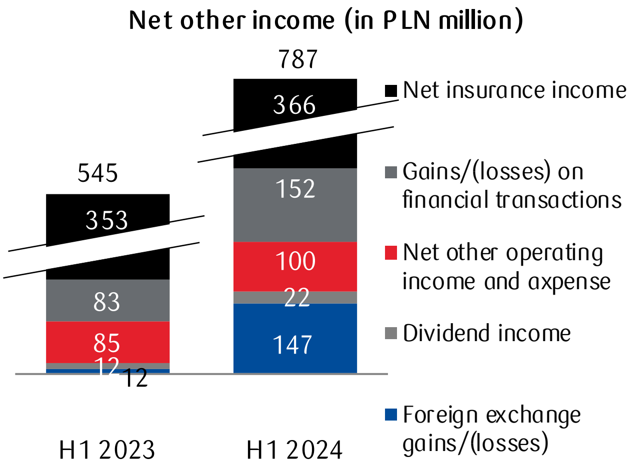



- lower net income on bank account servicing and other results (- PLN 13 million y/y), related inter alia to rising commission for foreign operations and cash operations,
- lower net income on margins on foreign exchange transactions (- PLN 20 million y/y), mainly due to exchange at table rate.

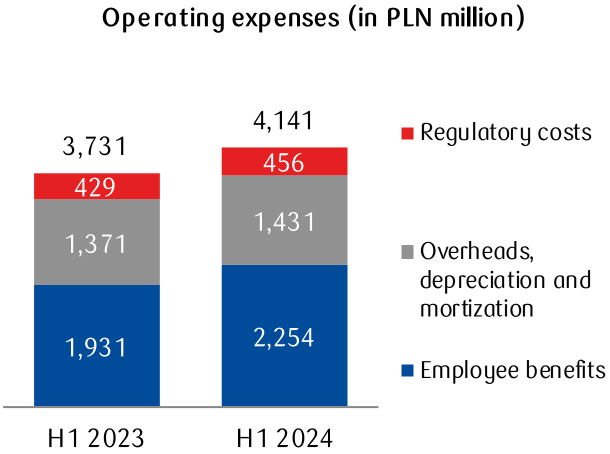
## OTHER NET INCOME

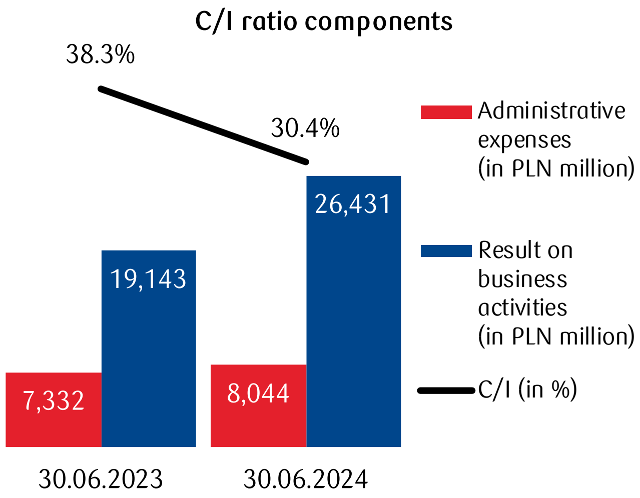
Other net income in the first half of 2024 amounted to PLN 787 million and was PLN 242 million higher y/y/ as a result of:

- improved foreign exchange result (+ PLN 135 million y/y), mainly the result on FX derivatives and the result on hedge accounting ineffectiveness,
- higher result on financial operations (+ PLN 69 million y/y), including due to improved result on derivatives, as well as improved result on discontinued recognition of assets, with a deteriorated result on the valuation of shares,
- a PLN 15 million y/y increase in net other operating income and expenses, including as a result of the recognition in 2023 of a PLN 15 million loss on the sale of $CO_2$ emission allowances (which was fully offset by a positive valuation of customer derivatives related to $CO_2$ emission allowances), and as a result of reclassification of the Bank's costs for 2024 from the reimbursement of court fees following the settlement agreement to costs of legal risk of mortgage loans (y/y change of cost of - PLN 7 million, due to the fact that no reclassification was made for the first half of 2023),
- higher result on insurance result (+ PLN 13 million y/y), mainly thanks to the expansion of the portfolio of non-related product lines (PKO DOM, PKO MOTO, PKO Życie) and lease products, which was partly offset by the lower result on the line of mortgage-specific insurance products,
- PLN 10 million y/y higher dividend income, as a result of, among other things, dividend received in the second quarter of 2024 from a company in PKO VC - fizan's portfolio.




## OPERATING EXPENSES




In the first half of 2024, operating expenses amounted to PLN 4,141 million and were PLN 410 million y/y higher (11.0%). The change was mainly driven by:

- an increase of PLN 323 million (or 16.7%) in the cost of employee benefits, mainly as a result of wage regulations,
- an increase in depreciation and amortisation expense of PLN 56 million (or 10.8%), as a result of increased amortisation of IT intangible assets, alongside a decrease in depreciation of buildings and structures.
- an increase of PLN 27 million (or 6,4%) in regulatory costs, as a result of inter alia higher cost of court fees in cases brought by customers against the Bank relating to CHF loans (up by PLN 32 million y/y),

while incurring:

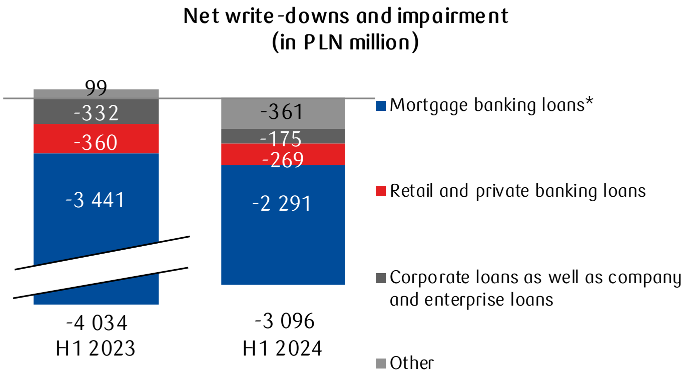
- stable material costs, mainly as a result of:
  - lower cost of maintenance and rental of real estate – down by PLN 17 million, or 8.3%,

- lower costs of promotion and advertising – down by PLN 15 million, or 13.6%;
- higher IT costs – up by PLN 14 million, or 6.4%;
- higher legal costs – up by PLN 20 million, or 33.5%, mainly due to the management of the settlement programme for Swiss franc borrowers.

The effectiveness of the PKO Bank Polski S.A. Group, measured by the C/I ratio on an annual basis, amounted to 30.4% (-7.9 p.p. y/y).

### NET WRITE-DOWNS AND IMPAIRMENT

In the first half of 2024, net write-downs and impairment (including the cost of legal risk) amounted to - PLN 3,096 million and improved by PLN 938 million compared to the previous year, mainly as a result of:




*Includes cost of legal risk of mortgage loans in convertible currencies of PLN -3 441 million in the first half of 2023 and PLN -2 320 million in the first half of 2024

- lower cost of legal risk associated with mortgage loans in convertible currencies (down by PLN 1,121 million) following an update of the parameters of the legal risk assessment model to reflect the level of litigation settlements and resolutions, as well as the assumptions concerning the costs of statutory interest,
- improved result on credit risk by PLN 108 million, mainly on consumer and housing loans,
- deteriorated net write-downs on non-financial assets (down by PLN 291 million), mainly as a result of the recognition of additional PLN 225 million worth of allowances on amounts due from customers for disbursed principal, in connection with lost court cases concerning CHF loans, and the recognition of additional PLN 47 million worth of allowances on the exposure in Bank Pocztowy to account for the update of the Bank's share in net assets.

At the end of the first half of 2024, the share of exposures with recognised impairment amounted to 3.54% (an improvement by 0.10 p.p. compared to the first half of 2023).

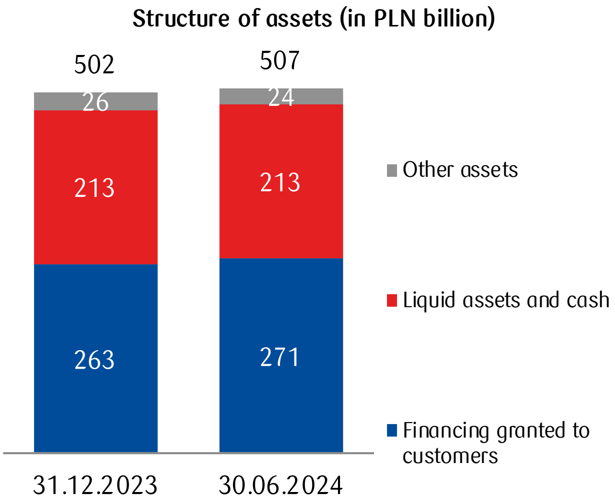
The cost of risk at the end of the first half of 2024 amounted to 0.39% and improved by 0.14 p.p. compared to the cost in the corresponding period of the previous year.

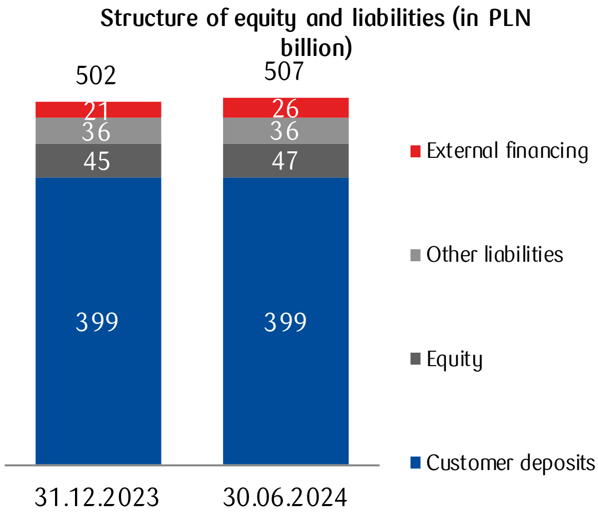
## 6.3. STATEMENT OF THE FINANCIAL POSITION OF THE GROUP

### MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As of the end of the first half of 2024, the total balance sheet of the PKO Bank Polski S.A. Group exceeded PLN 507 billion and increased by approximately PLN 6 billion year to date. Thus, the Bank's Group reinforced its leading position on the Polish banking market.

The change in the total balance sheet in the first half of 2024, on the asset side, had been primarily impacted by the increase in financing granted to customers. An increase in securities with a decrease in amounts due from banks was also reported. As regards financing sources, there was an increase in external financing and equity, with stable customer deposits. The lower valuation of derivatives resulted in a decrease in other assets, while other liabilities remained at a stable level.

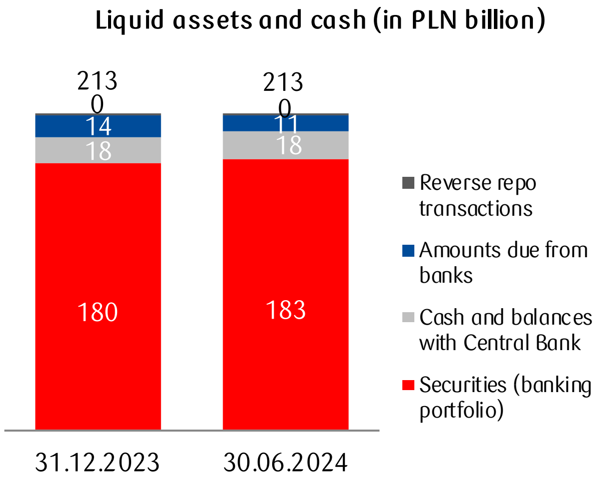



## LIQUID ASSETS AND CASH

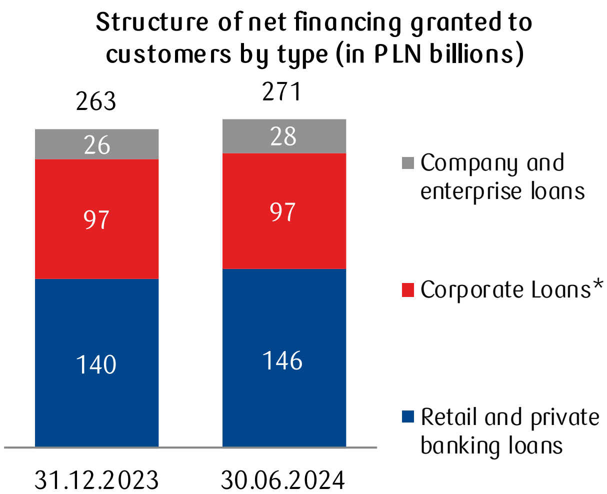
At the end of the first half of 2024, the value of liquid assets and cash in the Group was stable compared to the beginning of the year, amounting to around PLN 213 billion.
A PLN 3 billion increase was recorded on securities (banking portfolio), in particular on PLN Treasury bonds, with a drop in money bills of the National Bank of Poland.

Amounts due from banks and cash and balances at the Central Bank decreased jointly by PLN 3 billion since the beginning of the year.




## FINANCING GRANTED TO CUSTOMERS

At the end of the first half of 2024, the value of financing granted to customers in the Group was approximately PLN 271 billion, which constitutes a PLN 8 billion increase year to date, which was attributable to larger volumes of retail and private banking loans (+ PLN 6 billion) and business loans (+ PLN 2 billion). The surge in retail and private banking loans was mainly driven by an increase in PLN mortgages (+ PLN 7 billion) and consumer loans (+ PLN 1 billion), with a decrease in mortgage loans in foreign currencies (- PLN 2 billion) as a result of repayments under settlements and the recognition of additional provision for legal risk.

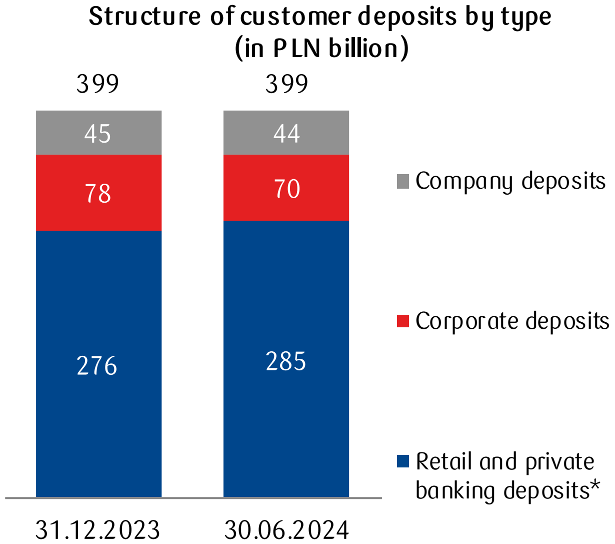



* including lease receivables and non-Treasury bonds (excluding those held for trading)

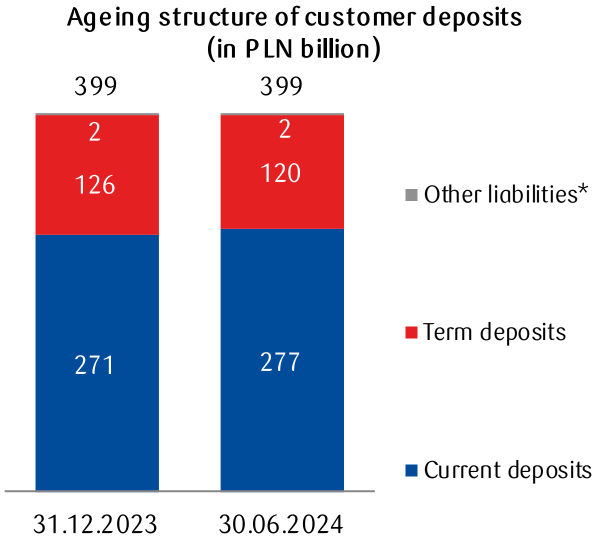
## CUSTOMER DEPOSITS

Customer deposits constitute the basic source of financing the Group's assets. At the end of the first half of 2024 they totalled PLN 399 billion, which means a stable level since the beginning of the year.

The deposit base was stabilised mainly owing to an increase in retail and private banking deposits (+ PLN 9 billion), with a decrease in corporate deposits (- PLN 8 billion) and business deposits (- PLN 1 billion).




*including liabilities arising from insurance products



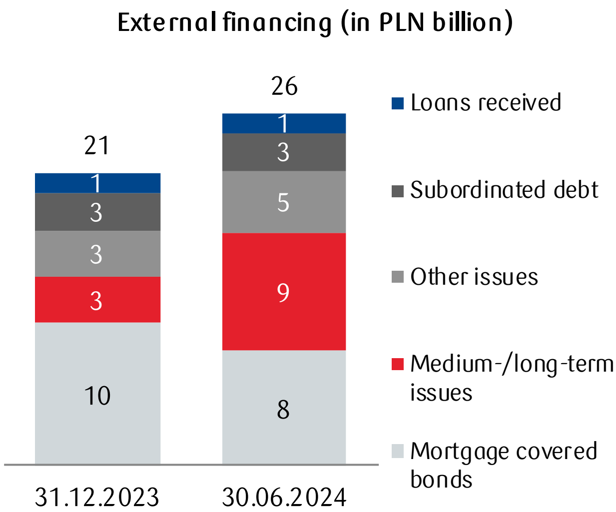

* including liabilities arising from insurance products

The share of current deposits in the total deposit structure amounted to 69% (+2 p.p. compared to the end of 2023) as a result of expanding current deposits (+ PLN 6 billion), accompanied by a decrease in term deposits (- PLN 6 billion).

## EXTERNAL FINANCING

The level of long-term financing sources as of the end of June 2024 amounted to almost PLN 26 billion and increased by PLN 4 billion since the beginning of the year. The change in the level of financing was determined by:

- issue of senior bonds in the "Senior Non-Preferred" format, with the value of PLN 1 billion and two issues with a total value of EUR 1 billion,
- PLN 1 billion higher level of bonds issued by PKO Bank Hipoteczny S.A. and stable level of bonds issued by the PKO Leasing S.A. Group,
- a PLN 2 billion decrease in covered bonds of PKO Bank Hipoteczny S.A. following the issues worth EUR 0.5 billion and PLN 0.7 billion maturing in January and April 2024 and the new issue of covered bonds worth PLN 1 billion in March 2024.




## EQUITY

The level of equity as of the end of the first half of 2024 was PLN 46.9 billion and increased by PLN 1.7 billion since the beginning of the year, mainly as a result of:

- accumulation of the current result of PLN 4.4 billion,
- a decision by the General Meetings of Shareholders on the distribution of the Bank's profit achieved in 2023 and payout of PLN 3.2 billion in dividend,
- PLN 0.5 billion higher valuation of securities and other instruments valued through equity.

# 7. FINANCIAL POSITION OF THE BANK

## 7.1. KEY FINANCIAL INDICATORS OF THE BANK

As a result of PKO Bank Polski S.A.'s performance in the first half of 2024, the main financial performance indicators reached the following levels:

Table 4. Financial indicators of PKO Bank Polski S.A.

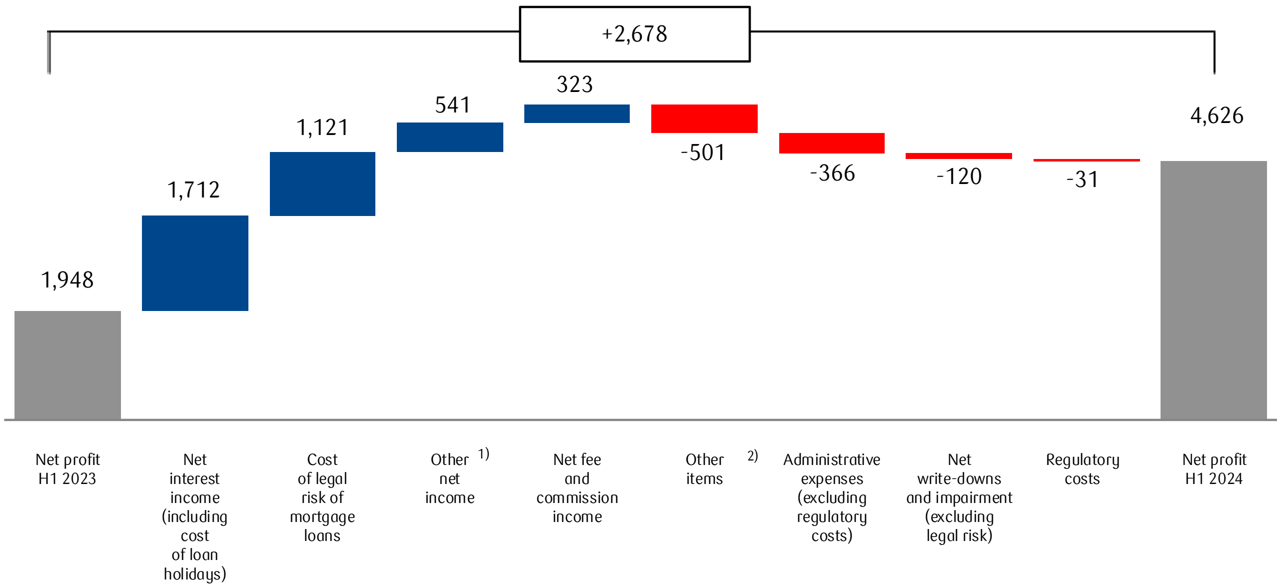
| | | 30.06.2024 | 30.06.2023 | Change |
|---|---|---|---|---|
| **ROE net** | (net profit/(loss)/average equity) | 17.5% | 10.0% | +7.5 p.p. |
| **ROA net** | (net profit/(loss)/average assets) | 1.6% | 0.8% | +0.8 p.p. |
| **C/I** | (cost to income ratio) | 28.7% | 36.0% | -7.3 p.p. |
| **Interest margin**[1] | (net interest income/average interest-bearing assets) | 4.57% | 4.18% | +0.39 p.p. |
| **Share of impaired exposures** | | 3.10% | 3.43% | -0.330 p.p. |
| **Cost of credit risk** | | 0.39% | 0.54% | -0.15 p.p. |
| **Total capital ratio** | (own funds/total capital requirement*12.5) | 19.71% | 21.30% | -1.59 p.p. |
| **Common equity Tier 1 (CET 1)** | | 18.85% | 20.04% | -1.19 p.p. |
| **Leverage ratio** | | 8.05% | 8.44% | -0.39 p.p. |

1) The interest margin was calculated excluding the effects of the Act on crowdfunding for business ventures and assistance to borrowers (so-called "credit holidays") in the amount of (-) PLN 2,443 million in Q3 2022, (+) PLN 83 million in Q4 2023 and PLN (-)427 million in Q2 2024

## 7.2. INCOME STATEMENT OF THE BANK

The consolidated net profit of the PKO Bank Polski S.A. Group generated in the first half of 2024 amounted to PLN 4,626 million and was PLN 2,678 million higher than in the corresponding period of 2023, which was driven by an increase in the result on business activity and lower cost of legal risk associated with mortgage loans in convertible currencies, with an increase in employee benefits.

Change in net profit of the PKO Banku Polskiego S.A. (in PLN million)




1) Net other income reflects dividend income, result on insurance, result on financial transactions, net foreign exchange gains/(losses) and other net operating income and expense.
2) This item comprises tax on certain financial institutions, share in profits/ (losses) of associates and joint ventures, income tax and profit (loss) attributable to non-controlling shareholders.

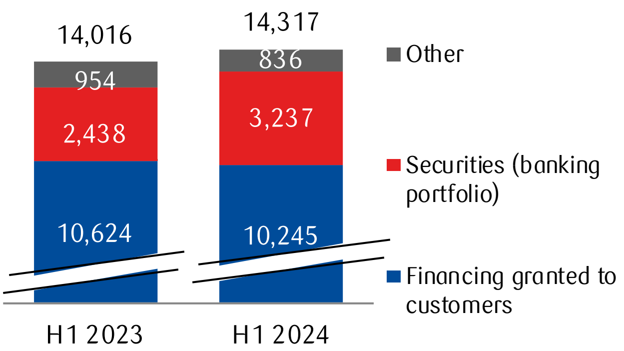
The result on business activities in the first half of 2024 amounted to PLN 13,201 million and was PLN 2,576 million (24.2%) higher than in the first half of 2023, mainly as a result of an increase in net interest income, as well as improved net other income and net fee and commission income.

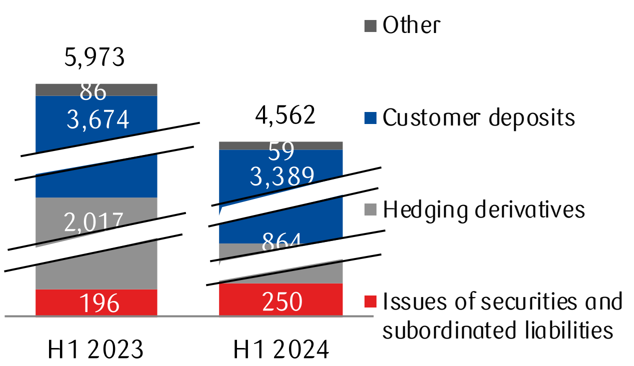
Table 5. Income statement of PKO Bank Polski S.A. (in PLN million)

| | 01.01-30.06.2024 | 01.01-30.06.2023 | Change (in PLN million) | Change (in %) |
|---|---|---|---|---|
| **Net interest income** | **9,755** | **8,043** | **1,712** | **21.3%** |
| **Net fee and commission income** | **2,202** | **1,879** | **323** | **17.2%** |
| **Other net income** | **1,244** | **703** | **541** | **76.9%** |
| Dividend income | 974 | 631 | 343 | 54.4% |
| Gains (losses) on financial transactions | 131 | 57 | 74 | 1.3x |
| Net foreign exchange gains (losses) | 128 | 24 | 104 | 4.3x |
| Net other operating income and expenses | 11 | -9 | 20 | 2.2x |
| **Result on business activities** | **13,201** | **10,625** | **2,576** | **24.2%** |
| Operating expenses | -3,656 | -3,259 | -397 | 12.2% |
| Tax on certain financial institutions | -596 | -577 | -19 | 3.2% |
| **Net operating result** | **8,949** | **6,789** | **2,160** | **31.8%** |
| Net write-downs and impairment | -2,973 | -3,974 | 1,001 | -25.2% |
| **Profit before tax** | **5,976** | **2,815** | **3,161** | **1.1x** |
| Income tax | -1,350 | -867 | -483 | 55.7% |
| **Net profit** | **4,626** | **1,948** | **2,678** | **1.4x** |

## NET INTEREST INCOME

The net interest income in the first half of 2024 amounted to PLN 9,755 million, which is PLN 1,712 million more than in the corresponding period of the previous year. The higher NII was mainly driven by a decrease in hedge accounting expenses and an increase in product volumes, with a lower level of PLN interest rates, following interest rate cuts made the MPC in the second half of 2023.



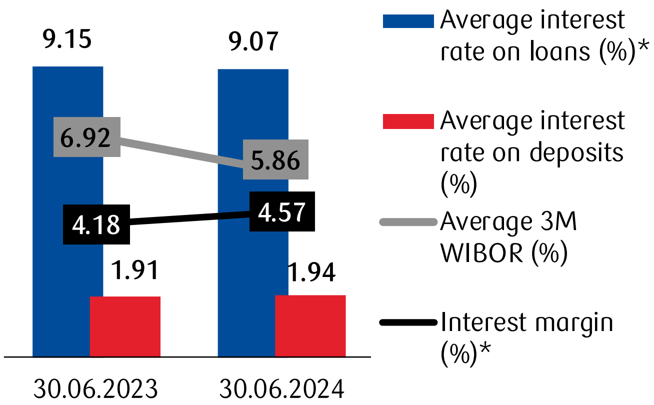

Interest income amounted to PLN 14,317 million and was PLN 301 million higher compared to the corresponding period of 2023, mainly as a result of:

- lower revenue from financing granted to customers (- PLN 380 million) – the negative impact of falling PLN market interest rates and the PLN 427 million in costs incurred as a result of "credit holidays" were partially offset by the PLN 16 billion increase in the average volume of credit receivables, mainly PLN housing loans,
- higher revenue on securities (+ PLN 799 million y/y), resulting from a PLN 37 billion increase in the average volume and a spike in the average interest rate on the portfolio owing to purchases made at current, higher yields.

Interest expenses amounted to PLN 4,562 million and were PLN 1,410 million lower than in the corresponding period of 2023. This was mainly due to:

- interest costs related to derivative hedging instruments lower by PLN 1,153 million, mainly related to IRS transactions (payments made at a variable rate exceed those received at a fixed rate, while transactions concluded at low rates mature),
- deposit base costs lower by PLN 285 million as a result of interest rate cuts leading to the adjustment of the deposit offer to the market conditions and the conversion of funds to current accounts, with a PLN 43 billion increase in the average volume of deposits compared to the corresponding period of 2023.

Average interest rate and interest margin (in %)




* The ratios were calculated excluding the impact of the recognition of statutory credit holidays (in the amount of - PLN 2,443 million in July 2022, + PLN +83 million in November 2023 and - PLN 427 in May 2024)

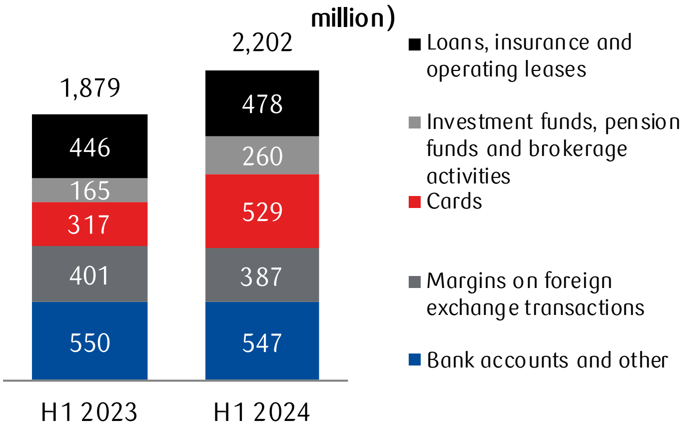
Net interest margin increased by 0.39 p.p. y/y, to 4.57% at the end of the first half of 2024. At the end of the first half of 2024, the average interest on loan receivables of PKO Bank Polski S.A. was 9.07% and the average interest on deposits amounted to 1.94%, compared to 9.15% and 1.91%, respectively, at the end of the first half of 2023.

## NET FEE AND COMMISSION INCOME

Net fee and commission income achieved in the first half of 2024 amounted to PLN 2,202 million and was PLN 323 million higher y/y. The increase was affected – among other things – by:

- higher net income on cards (+ PLN 212 million y/y) mainly due to higher commissions for settlements with payment organisations and improved transactionality,
- higher net income on investment funds, pension funds and brokerage activities (+ PLN 95 million y/y), mainly as a result of higher commissions for the sale of Treasury Bonds and commissions from the primary market,

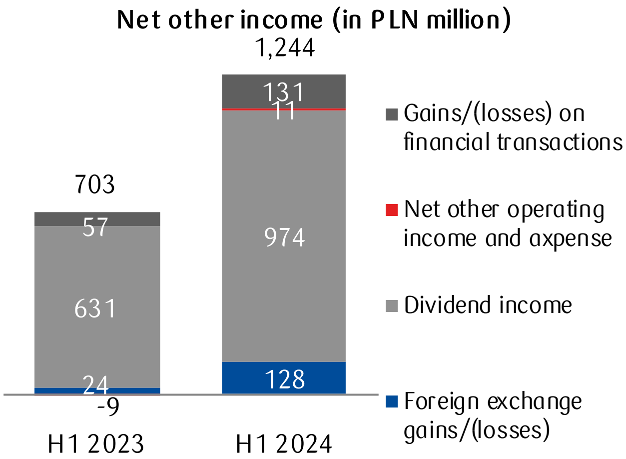
Net fee and commission income (in PLN million)




- higher net income on loans, insurance and operating leases (+ PLN 32 million y/y), mainly as a result of an increase in commissions from life insurance and commission income from housing loans,
- lower net income on bank account servicing and other results (- PLN 3 million y/y), related inter alia to rising commission for foreign operations and cash operations,
- lower net income on margins on foreign exchange transactions (- PLN 14million y/y), mainly due to exchange at table rate.

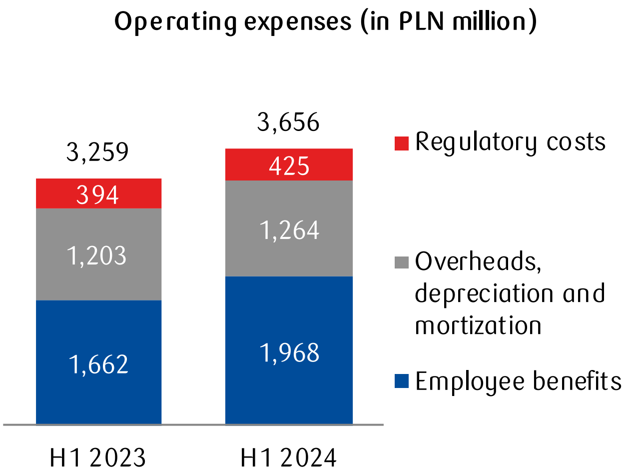
## OTHER NET INCOME

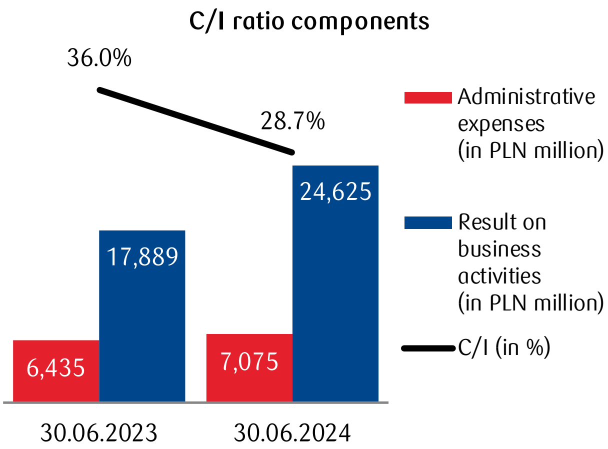
Net other income in the first half of 2024 amounted to PLN 1,244 million and was PLN 541 million higher y/y/ as a result of:




- PLN 343 million higher dividend income, mainly thanks to higher dividends received from subsidiaries,
- improved foreign exchange result (+ PLN 104 million y/y), mainly the result on FX derivatives,
- higher result on financial operations (+ PLN 74 million y/y), including due to improved result on derivatives, as well as improved result on discontinued recognition of assets, with a deteriorated result on the valuation of shares,
- a PLN 20 million y/y increase in other operating income and expenses, including as a result of the recognition in 2023 of a PLN 15 million loss on the sale of $CO_2$ emission allowances (which was fully offset by a positive valuation of customer derivatives related to $CO_2$ emission allowances) and as a result of reclassification of the costs for 2024 from the reimbursement of court fees following the settlement agreement to costs of legal risk of mortgage loans (y/y change of cost of - PLN 7 million, due to the fact that no reclassification was made for the first half of 2023).

## OPERATING EXPENSES




In the first half of 2024, operating expenses amounted to PLN 3,656 million and were PLN 397 million y/y higher (12.2%). Their level was mainly determined by:

- a PLN 306 million (or 18.4%) increase in the cost of employee benefits, mainly as a result of wage adjustments and an increase in headcount;
- a PLN 8 million (or 1.1%) increase in tangible costs, mainly as a result of:
  - higher IT costs - up by PLN 11 million, or 6.5%;
  - higher legal costs – up by PLN 20 million, or 34.5%, mainly due to the management of the settlement programme for Swiss franc borrowers.

  while incurring:
  - lower cost of maintenance and rental of real estate – down by PLN 17 million, or 8.8%,
  - lower costs of promotion and advertising – down by PLN 19 million, or 19.8%;
- an increase in depreciation and amortisation expense of PLN 53 million (or 11.4%), as a result of increased amortisation of IT intangible assets, alongside a decrease in depreciation of buildings and structures,
- an increase of PLN 31 million (or 7,8%) in regulatory costs, mainly as a result of higher cost of court fees in cases brought by customers against the Bank relating to CHF loans (up by PLN 32 million y/y).

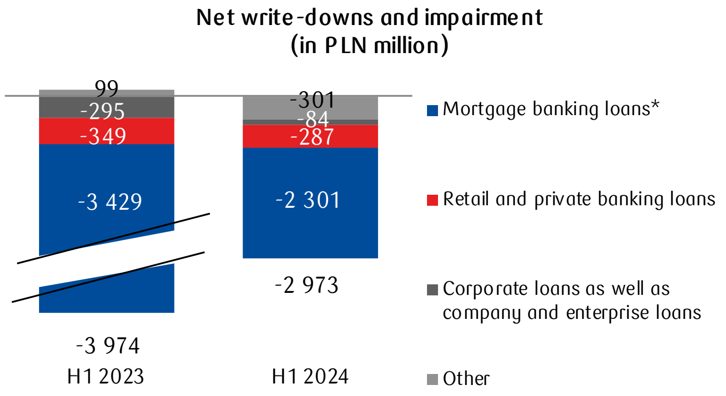
In the first half of 2024 the Bank incurred hospitality expenses, expenditure on legal services, marketing services, public relations and social communication services, as well as management advisory services totalling PLN 161 million, which represented 4.4% of the Bank's administrative expenses.

The operating effectiveness of PKO Bank Polski S.A. measured by the C/I ratio on an annual basis was at the level of 28.7% (-7.3 p.p. y/y), owing to the improved result on business activities.

### NET WRITE-DOWNS AND IMPAIRMENT

In the first half of 2024, net write-downs and impairment (including the cost of legal risk) amounted to - PLN 2,973 million and improved by PLN 1,001 million compared to the previous year. The result was driven mainly by:

- a PLN 1,121 million increase in the cost of legal risk associated with mortgage loans in convertible currencies following an update of the parameters of the legal risk assessment model to reflect the level of litigation settlements and resolutions, as well as the assumptions concerning the costs of statutory interest,
- allowances for credit risk improved by PLN 122 million, mainly on consumer loans and business loans,
- allowances for non-financial assets deteriorated by PLN 242 million, including PLN 225 million of allowances on amounts due from customers for disbursed principal, in connection with lost court cases concerning CHF loans.




*Includes cost of legal risk of mortgage loans in convertible currencies of PLN -3 441 million in the first half of 2023 and PLN -2 320 million in the first half of 2024

At the end of the first half of 2024, the share of exposures with recognized impairment amounted to 3.10% (down by 0.33 p.p. compared to the first half of 2023).

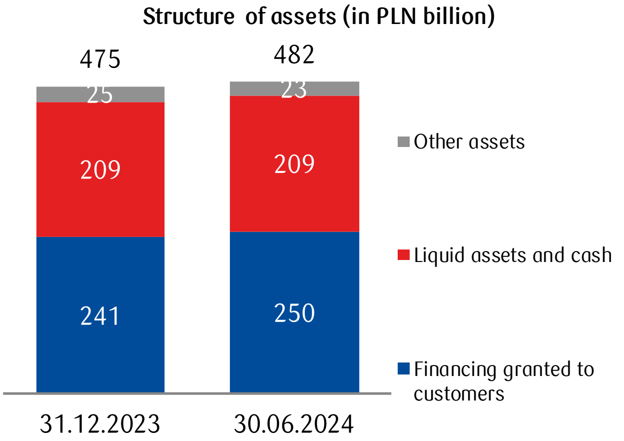
The cost of risk at the end of the first half of 2024 amounted to 0.39% and was 0.15 p.p. lower compared to the cost in the corresponding period of the previous year.

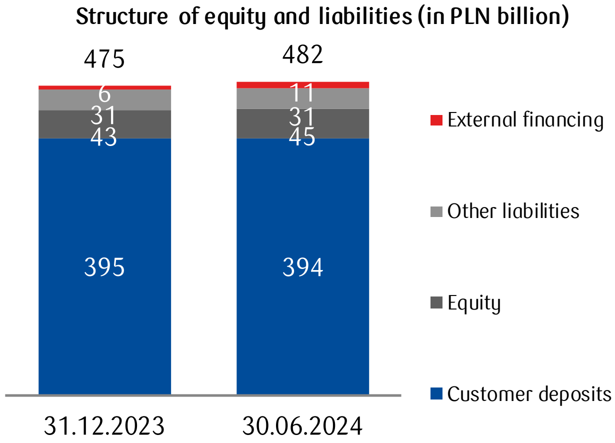
## 7.3. STATEMENT OF FINANCIAL POSITION OF THE BANK

### MAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION

As of the end of the first half of 2024, the total balance sheet of PKO Bank Polski S.A. amounted to almost PLN 482 billion and increased by approximately PLN 7 billion year to date. Therefore, PKO Bank Polski S.A. reinforced its position as the largest institution in the Polish banking sector.

The change in the total balance sheet in the first half of 2024, on the asset side, had been primarily impacted by the increase in financing granted to customers. The Bank also recorded an increase in securities with a decrease in amounts due from banks. On the liabilities side, the Bank reported stabilisation of customer deposits, with an increase in equity and the issue of securities. The lower valuation of derivatives resulted in a decrease in other assets, while other liabilities remained at a stable level.

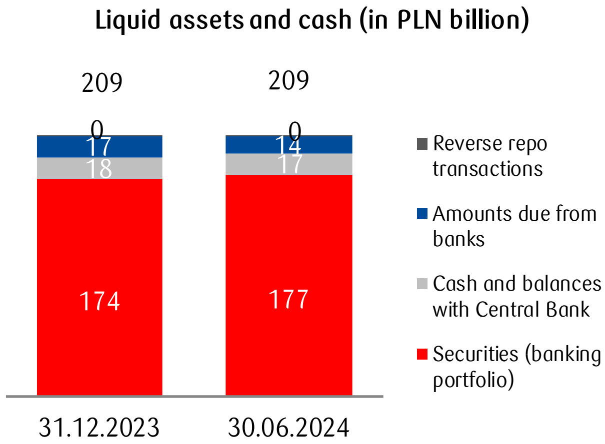



## LIQUID ASSETS AND CASH

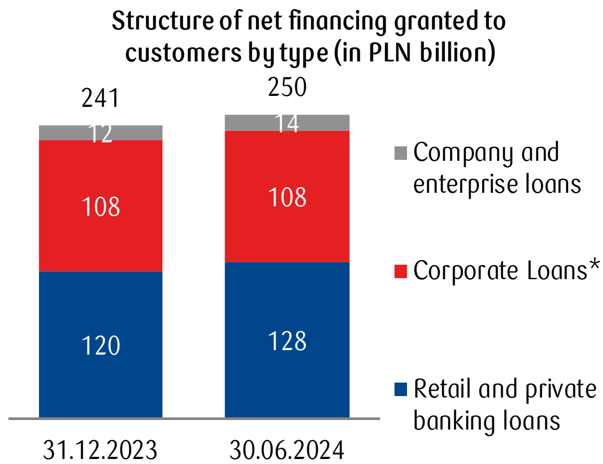
At the end of the first half of 2024, the value of liquid assets and cash in the Bank was approx. PLN 209 billion, which represents a stable level since the beginning of the year. A PLN 3 billion increase was recorded on securities (banking portfolio), in particular on PLN Treasury bonds, with a drop in money bills of the National Bank of Poland. Repo transactions were stabilised.

There was also a decrease in amounts due from banks and in cash and balances at the Central Bank – down by PLN 3 billion in total.




## FINANCING GRANTED TO CUSTOMERS

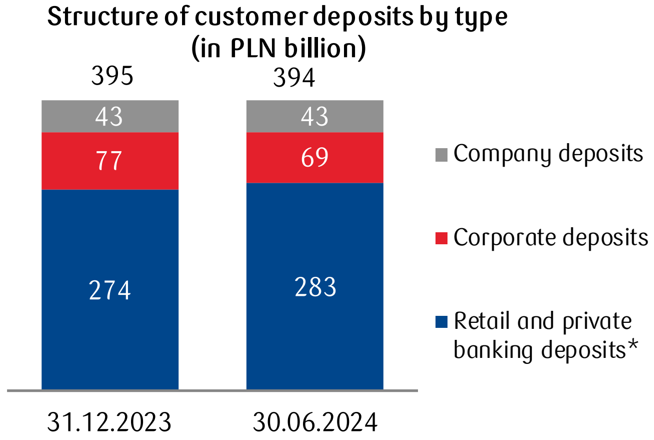
At the end of the first half of 2024, the value of financing granted to customers in the Bank was approximately PLN 250 billion, a year to date increase of PLN 9 billion, mainly as a result of larger volumes of retail and private banking loans (+ PLN 8 billion) and business loans (+ PLN 2 billion). The surge in retail and private banking loans was mainly driven by an increase in PLN mortgages (+ PLN 8 billion) and consumer loans (+PLN 2 billion), with a decrease in mortgage loans in foreign currencies (-PLN 2 billion) as a result of repayments under settlements and the recognition of additional provision for legal risk.



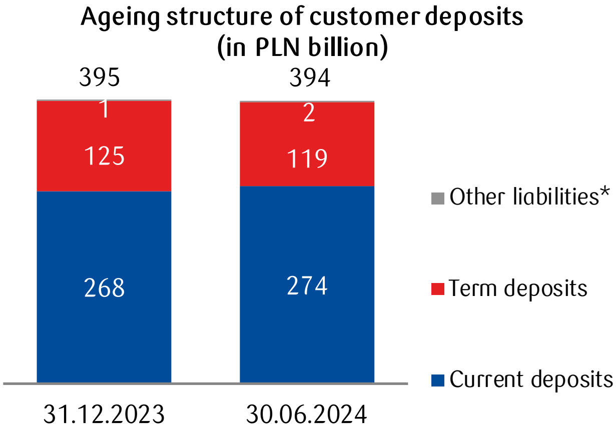

* including lease receivables and non-Treasury bonds (excluding those held for trading)

## CUSTOMER DEPOSITS

Customer deposits constitute the basic source of financing the Bank's assets. At the end of the first half of 2024 they totalled PLN 394 billion, which means a stable level year to date. The level of deposit base was mainly affected by the growth of retail and private banking deposits (+ PLN 9 billion), with a decrease in corporate deposits (- PLN 9 billion).




*including liabilities araising from insurance products

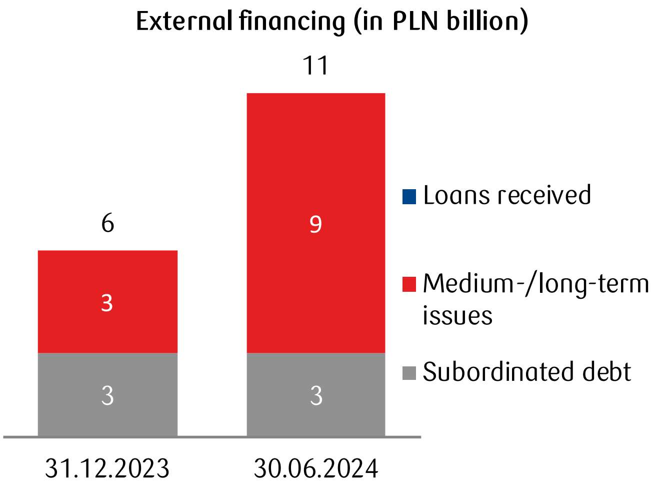



*including liabilities araising from insurance products

The share of current deposits in the total deposit structure amounted to 69% (+2 p.p. compared to the end of 2023), mainly as a result of expanding current deposits (+ PLN 6 billion), accompanied by a decrease in term deposits (- PLN 6 billion).

### External financing

The level of long-term financing sources as of the end of June 2024 was about PLN 11 billion and was PLN 5 billion higher compared to the level reported at the end of 2023, mainly as a result of issues of senior bonds in the "Senior Non-Preferred" format; one issue amounting to PLN 1 billion and two issues with a total value of EUR 1 billion.




### Equity

The level of equity as of the end of the first half of 2024 was PLN 44.9 billion and increased by PLN 1.9 billion since the beginning of the year, mainly as a result of:

- accumulation of the current result of PLN 4.6 billion,
- a decision by the General Meetings of Shareholders on the distribution of the Bank's profit achieved in 2023 and payout of PLN 3.2 billion in dividend,
- PLN 0.5 billion higher valuation of securities and other instruments valued through equity.

# 8. Business development and other significant events

## 8.1. Development of products and services and new solutions

The Bank's Group developed modern services and products, including those offered via remote channels.

For information on significant achievements, see item "Major events, including non-typical events".

Achievements of PKO Bank Polski S.A.

| **Product development in retail banking, corporate and housing markets** | |
|---|---|
| Mortgage banking | In the first half of 2024, sales of housing loans to individuals amounted to almost PLN 13.0 billion, allowing the Bank to maintain its leading position with a market share of 28.2%. |

| | |
|---|---|
| | In the first half of 2024, the share of fixed-rate loans in new sales (granted by PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A.) reached 69.6%, and their total share in the portfolio of PLN mortgage loans as at 30 June 2024 increased to 33.3% (from 27.3% as at the end of 2023). |
| | The share of loans granted under the government's "2% Safe Loan" programme in the Bank's total sales in the first half of 2024 was over 36%. |
| | Alignment with the requirements of Recommendation S, whereby the Bank must inform customers who have obtained a favourable credit decision about the risk and consequences of a decrease in the value of the property which is to be used as collateral for the loan. |
| Financing | Signing of an agreement with BGK concerning the FG FENG programme (Biznesmax Plus and Ekomax Plus) to offer guarantees to businesses interested in investment and revolving loans. The guarantee is free of charge and covers up to 80% of the loan amount. |
| | Making a new green loan available for the modernisation of infrastructure (e.g. buildings, machinery and equipment), in cooperation with BGK. The amount of the grant is up to 80% of the modernisation cost and is awarded for up to 20 years. |
| | Change of parameters, rules and limits under the de minimis guarantee.<br>The key changes include raising the available aid limit for entrepreneurs to EUR 300 thousand and liberalisation of the rules for the provision of guarantees to transport companies (removal of the restriction on the financing of road freight transport equipment, including lease instalment payments). |
| | Offering, in cooperation with the Agency for the Restructuring and Modernisation of Agriculture, a preferential loan for the buy-in of cereals and soft fruit with an interest rate subsidy for corporate customers. The programme ran until the end of June 2024. |
| | Implementation of the "Our Renovation with a RES Grant" loan for housing communities and cooperatives to finance the purchase, installation, construction or modernisation of renewable energy systems, with an option for borrowers to be reimbursed for 50% of the net costs of the project by BGK under the TERMO Programme. |
| | In the first half of 2024, sales of cash loan reached a record level of PLN 8.9 billion, up 21% y/y. As at 30 June 2024, the portfolio stood at PLN 31.5 billion, up 13% y/y. |
| Saving and investing | Under the government's First Home programme, between 10 August 2023 and 30 June 2024, the Bank's customers opened 3,081 Housing Accounts, in which they deposited more than PLN 34.5 million. |
| | Personal Banking customers can take advantage of multi-fund advice offered within the PKO Inwestomat app, both at the branch – with an account manager and through remote channels, iPKO and IKO. |
| Foreign currency account for 13-17 year olds | The Bank launched a new process for opening a foreign currency account for customers aged 13-17 via the IKO app and the iPKO service.<br>An account can be opened by:<br>• a parent – in his/her IKO app or iPKO service, or<br>• a teenager, who submits an application in IKO or iPKO, which is then approved by his/her parent.<br>When opening a foreign currency account, the customer can activate the Currency Package, that is:<br>• link the foreign currency account to a debit card issued for a savings and checking account that has a multi-currency feature,<br>• activate an online currency exchange service.<br>When travelling abroad or making an online card payment in a foreign currency, the customer does not incur currency conversion costs, as long as there are sufficient |

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| | funds in his/her account to cover the transaction. Funds in the foreign currency account can be replenished using inter alia an online currency exchange service. As part of the currency offer, the customer can open a foreign currency account in 9 currencies: EUR, GBP, USD, CHF, DKK, NOK, SEK, CZK, HUF. |
| **Development of corporate banking and services of the Brokerage Office** | |
| Corporate banking | Conclusion of 21 syndicated loan agreements for a total amount of nearly 9.7 billion and more than EUR 3.5 billion. The Bank's share was PLN 2.4 billion and EUR 0.4 billion, respectively. |
| | Conclusion of 16 municipal bond issue agreements with a total amount of more than PLN 836 million. |
| | 4 corporate bond issues within a banking syndicate with a value exceeding PLN 3.2 billion and EUR 0.1 billion. |
| | Signing of a comprehensive agreement for the provision of banking services to the Wielkopolska province and its unincorporated organisational units, and for the provision of banking services for the budget of the City of Płock and its organisational units. |
| Services of PKO Bank Polski's Brokerage Office | Conduct, in the capacity of a sole global coordinator and sole bookbuilder, an offering of BNP Paribas Bank Polska S.A. shares under an accelerated book-building procedure, with a value of approx. PLN 886 million. |
| | Conduct, in the capacity of a manager, an offering of Allegro.eu shares under an accelerated book-building procedure, with a value of approx. PLN 1.9 billion. |
| | Conduct, in the capacity of an offering agent and global coordinator, two issues of bonds of Echo Investment S.A. with a total value of approx. PLN 200 million and an issue of bonds of Ghelamco Invest Sp. z o.o. with a value of approx. PLN 125 million. |
| | Generating PLN 31.8 billion worth of turnover in the secondary equity market in the first half of 2024, which accounts for 9.01% of the market turnover and places PKO Bank Polski's Brokerage Office at the 2nd position in the ranking of brokerage offices. |
| | The sale of Treasury bonds in the first half of 2024 reached a record value of over 321 million units. |
| | As at 30 June 2024 the Brokerage Office:<br>• maintained 155.8 thousand securities accounts and cash accounts, as well as 606.9 thousand registration accounts,<br>• serviced participation units in 394 funds and sub-funds managed by 10 fund management companies. |
| | The investment account of PKO Bank Polski's Brokerage Office once again won the title of "Best Brokerage Account in Poland" in the 2023 National Investor Survey organised by the Association of Individual Investors. |
| **Development of insurance products** | |
| PKO Życie life insurance | Implementation of the new PKO Życie life insurance as a standalone policy and as a policy accompanying the Cash Loan process. PKO Życie is insurance granting coverage in the event of death, serious illness, accident-induced injuries. r temporary incapacity to work. Customers can tailor-build their coverage by selecting the following packages in addition to the Life Package (which is the basic package): Health, Accident or Temporary Incapacity to Work.<br>Gross written premium at the end of the first half of 2024 was PLN 3.4 million, and the number of policies sold amounted to 22.2 thousand. Customers usually choose the life package and accident package. |
| Housing insurance PKO Dom | Gross written premiums at the end of the first half of 2024 amounted to PLN 82 million, up 43% y/y. Since the product launch, 1,037 thousand policies have been sold, with a renewal rate of over 74%. |

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| PKO Moto motor insurance | Gross written premium at the end of the first half of 2024 was PLN 87.3 million, and the number of policies sold amounted to 102.7 thousand. Also, an omni-channel renewal process has been introduced (in branches, via iPKO, IKO, Contact Centre and the Bank's agencies). |
| **Development of IT projects and other services** | |
| PKO Pay Later | At the end of the first half of 2024, approximately 238 thousand customers were active users of the service, and the total amount of limits granted reached PLN 205.2 million. Customers have so far executed over 4 million transactions for the total amount of PLN 560.2 million. 99% of the transactions were executed using a BLIK code.<br>On 29 May, the maximum limit amount was raised from PLN 1,000 to PLN 2,000. Customers now have the option to increase the limit amount using an application available in the IKO mobile app or the iPKO e-banking service. |
| PKO Bonus discount programme | The PKO Bonus discount programme is a tool implemented together with e-commerce partners, which will allow the Bank's customers to take advantage of special offers, discount codes, vouchers and to be reimbursed for a portion of the amount paid for purchases (cashback). The programme will be available to all customers using the iPKO online service and IKO mobile app.<br>In the first half of 2024, the Bank continued working on the deployment of the PKO Bonus discount programme for customers. In June 2024, the Bank made the first partner's promotional offer available in the IKO app. |
| Digital credit card | Implementation of a solution enabling individual customers to have immediate access to a digital credit card and the option to make payment before receiving a physical version of the card.<br>Release of new features for credit cards issued to individual customers:<br>• in the IKO mobile app and the iPKO online service: the possibility of checking card details (number, expiry date, dynamic CVV/CVC code) and copying the card number for online payments,<br>• a dynamic CVV/CVC code, which is valid for several hours and can be retrieved from the IKO app, iPKO service and the Bank's helpline,<br>• the ability to use a card for phone and smartwatch payments (Apple Pay, Google Pay, Garmin Pay and others) and for online payments immediately after signing the agreement, before the plastic card is delivered by post. |
| Digital Mortgage | Production deployment of a pilot version of the Digital Mortgage, which lets borrowers apply for a mortgage under an entirely remote process: from the submission of an application, through analysis, gathering of documents and signing of a loan agreement, to the disbursement of funds to the seller's account. The first agreement as part of the pilot project was signed on 8 April. On 1 July, the pilot project was extended, covering 10 regions, including 89 branches and 167 retail network consultants. Remote application under the pilot project is available to unmarried people who plan to buy an apartment on the secondary market. In the coming quarters, the Bank will expand the groups of customers eligible to use the Digital Mortgage. |
| Contactless BLIK payments | The number of transactions concluded by 30 June 2024 using contactless BLIK in the IKO app was almost 125.4 million. More than 52.7 million transactions were executed in the first half of 2024, which represents an increase of nearly 154% y/y. |
| Anti-spoofing service | Extension of the detection of spoofed calls (i.e. cases where a criminal – impersonating the Bank's employee – "covers" their telephone number with the authentic helpline number of our Bank) to include the so-called random calls, i.e. calls suspected of being spoofed, made from random numbers other than the currently monitored numbers of our helpline, plus information about customers suspected of being involved in fraudulent investments. |

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| Security of card payments | Tightening of the tokenisation process for portfolio payments upon saving payment cards, with 3D Secure transaction confirmation - for VISA cards (Google Pay payments). For Apple Pay payments, IVR was replaced by SMS. |
| PKO Rotunda | 60 events covering the theme of innovation, attended by around 6,000 people. |
| Voicebots | In the first half of 2024, all bots held nearly 13 million calls. The total number of calls made by 30 June 2024 was more than 44 million. |
| Automation and robotisation | Robotisation of 25 processes in the first half of 2024 and completion of 50.9 million tasks. |
| | Completion of more than 300 million tasks in total by the end of the first half of 2024. The total number of processes robotised to date has reached 320. |
| | Provision of enhanced access to information on enforcement seizure in electronic banking.<br>In the first half of 2024, customers used this service more than 4 million times. |
| | Release of a chat service channel on the Bank's website to provide information on the most frequent questions asked by customers and visitors of the Bank's website. |
| | Implementation of an automated customer complaint process at branches. |
| Bank in the Metaverse | Completion of work on the Virtual Reality app (a VR game) for the purposes of the educational programme "Cash with Class". |
| Financial innovation market (Lets Fintech) | Pilot roll-out of a cyber-security startup:<br>WeGrant – an AI-based solution that supports entrepreneurs in searching for EU funding matching their business and assists them in the preparation of such applications,<br>Travatar - a startup focused on detecting artificial traffic generated by bots on websites as part of sales campaigns. The solution makes it possible to determine whether traffic is generated by actual al users or by web bots and aids in the recovery of funds spent for artificially generated traffic. |
| Cloud technologies | Development of technological framework, based on public data, for the first applications of artificial intelligence in cloud computing. |
| | Transfer of data feed for marketing campaigns to a cloud environment. |
| Contact Center | Implementation of the new NEXIDIA speech analytics system. |
| Kombajn credit risk assessment platform | Implementation of Machine Learning models to support credit assessment of individual customers.<br>Implementation of a new credit assessment process for the Digital Mortgage, with automated determination of income. |
| Withholding of PESEL numbers | Adaptation of the Bank's processes to comply with the obligation to verify the withholding of PESEL numbers of all borrowers prior to the conclusion of a credit/loan agreement and selected types of annexes to credit agreements. |
| Other significant achievements | Introduction of an option to withdraw funds from an Individual Retirement Security Account (IKZE) and informing customers (though communication conveyed on a durable carrier) about the cost of handling funds. |
| **Development of functionalities in electronic and mobile banking channels** | |
| IKO mobile app | Implementation of new functionalities:<br>• hiding product balances on the home screen and when purchasing public transport tickets (discrete mode).<br>• making available an instruction to withdraw from a cash loan,<br>• payment of parking fees in Android Auto,<br>• complaint filing,<br>• purchase and preview of the new PKO Życie insurance policies,<br>• application for a corporate credit card, |

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| | • presentation of company cards and the possibility of performing selected operations on these cards,<br>• verification of a withheld PESEL number,<br>• redirection of caller from the voice assistant to the chat consultant directly in the IKO app.<br>Implementation of changes to existing functions:<br>• a system that speeds up the settlement of BLIK transactions,<br>• a new version of eKantor 2.0 for currency exchange,<br>• a new process of ordering foreign transfers,<br>• expansion of information on enforcement seizures,<br>• in increase in transaction limits,<br>• a new design of the pre-login screen. |
| | Delivering 7.9 million calls made via Voice Assistant in IKO in the first half of 2024. By 30 June 2024, a total of more than 13 million calls were made with nearly 3 million customers. |
| | The number of active IKO apps exceeded a record high of 8.1 million on the Polish banking market. Since its launch in March 2013, users have logged in to the app 10 billion times in total and used it to make 3.1 billion transactions totalling more than PLN 853 billion. |
| IPKO electronic banking service | Implementation of new functionalities:<br>• additional login protection based on behavioural biometrics,<br>• verification of a withheld PESEL number,<br>• blocking customers with the "Blocked by e-office" [Blokada e-urzędu] tag from creating an e-Identity and a PUE ZUS Trusted Profile<br>• generating JPK_WB reports for a corporate customer,<br>• new PKO Życie insurance,<br>• reporting the death of a relative in iPKO,<br>• codes for Helios cinemas on the platform of value-added services (VAS),<br>• application for a support allowance for persons with disabilities.<br>Implementation of changes to existing functions:<br>• verification of compromised passwords,<br>• foreign transfer form,<br>• addition of multi-fund baskets to investment advice,<br>• e-Identity service. |
| iPKO business electronic banking service | Launch of new functionalities:<br>• full integration with the Comarch ERP Optima financial and accounting system,<br>• self-service administration of the PKO Cash module for managing cash deposits,<br>• giving names to prepaid cards,<br>• automatic sending of confirmation of completed transactions to e-mail addresses,<br>• generating immediate confirmation of the completion of transfers,<br>• opening and closing of a payroll account,<br>• viewing the history of closed accounts,<br>• ordering transfers to the accounts of trusted customers without the need for authorisation.<br>Implementation of changes to existing functions:<br>• integration with further financial and accounting systems: Simple.ERP, Comarch XL and Comarch XT. |
| PKO Insurance online service | Implementation of forms to support customers in the reporting issues to the Customer Support Department. |

**Achievements of the PKO Leasing S.A. Group (PKO Leasing Group)**

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| Spring with Leasing | Making a fuel card worth PLN 500 available to small and medium-sized enterprises from the banking channel (for agreements with a value of more than PLN 100 thousand). |
| Invest EU guarantee | Launch of four lines with the Invest EU guarantee as part of PKO Leasing S.A.'s framework programme in cooperation with the European Investment Fund (EIF) for business competitiveness, supporting in particular small and medium-sized enterprises.<br>Target group of the offer:<br>• Invest EU – customers who want to finance plant and machinery and heavy transport equipment with low $CO_2$ footprint,<br>• Invest EU RES – customers who want to finance photovoltaics, windmills, energy storage units and other devices that support sustainable development,<br>• Invest EU Start up – companies that have been operating for less than 6 months,<br>• Invest EU – customers who want to extend their financing of industrial machinery (for up to 10 years).<br>Thanks to the Invest EU guarantee, the Group can offer companies guarantees to secure the repayment of transaction dues in the form of a lease or loan, excluding subsidy financing. The guarantee is free of charge for the Customer and no additional documents are required. iPKO Customers are offered the guarantee in a simplified process.<br>In the first half of 2024, 2,380 leases and loans with a total value of PLN 299 million were signed under this programme. |
| PKO Leasing S.A. online in the Customer Portal | Providing PKO Leasing S.A. Customers with the option to obtain leases for IT equipment and electric bicycles in a fast, 100% online process. |
| "Helpline development" project | Implementation of an innovative system for servicing customers via the helpline. This is Poland's first and one of the region's crucial, groundbreaking implementation of the Microsoft Digital Contact Center platform and Dynamics 365 Omnichannel for Customer Service in the cloud (Microsoft Azure Cloud). |
| ARB robot | Launch of an ARB robot, whose task is to automate the bank account number update process. The digitisation of this process improves the rapid return of overpayments to customers. |
| Artificial intelligence (AI) in the operationalisation of tasks | Automation of the entry of registration book data in the process of handling lease agreements. |
| CX (Customer Experience) | Launch of a CX project, which is meant to help build and develop the organisation's CX vision, i.e. to create interaction between customers and the company. |
| PKO Faktoring S.A. in the cloud technology | Transfer of all systems of PKO Faktoring S.A., as the first bank factoring company in the country and as a pioneer in the Bank Group, to the cloud. The migration took place in collaboration with Operator Chmury Krajowej. |
| Gold Sponsor of the Dealer TOP 100 Forum | PKO Leasing S.A was named the Gold Sponsor of the Dealer TOP 100 Forum, the most important event in the dealership industry. |

**Achievements of PKO Towarzystwo Funduszy Inwestycyjnych S.A.**

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| Top places in the investment fund market | In the first half of 2024, PKO TFI S.A. recorded excellent sales results, approximating + PLN 5 billion net. Consequently, at the end of the first half of 2024, the net asset value of funds managed by the company exceeded PLN 48 billion, including the net asset value of retail funds at PLN 46.5 billion, which allowed the company to maintain, respectively, the 2nd place (with a share of 13.46%) in the total investment fund market and the 1st place (with a share of 20.37%) in managed fund assets excluding selected investors.*As at 30 June 2024, PKO TFI S.A. managed 59 funds and sub-funds. |

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| PPK market leader | Maintaining a leading position in the Employee Capital Plans (PPK) market with a market share of 30.8%*. At the end of the first half of 2024, there was PLN 8.5 billion worth of assets accumulated in PPK accounts managed by the company. |
| MiFID survey | Implementation of a change to the MiFID Customer Survey pursuant to the Regulation of the Minister of Finance of 29 June 2023 amending the Regulation on the manner, procedure and conditions for the conduct of activities by investment fund companies. The change involved the requirement to take into account the customer's investment objectives linked to sustainability (ESG) factors in the context of his/her target markets. |
| CX (Customer Experience) | Launch of a CX project, which is meant to help build and develop the organisation's CX vision, i.e. to create interaction between customers and the company. In an attempt to simplify customer communication, the company arranged inter alia training and educational materials on CX and plain language for employees, carried out an analysis of the unsolicited voice of the customer, simplified selected complaint response templates and introduced a new visualisation for e-mail correspondence. |

* Source: Analizy Online

## 8.2. ESG

### Achievements

- Preparation of processes for reporting and mandatory disclosure reports covering the Taxonomy and ITS (Implementation Technical Standards) for 2023, as well as a chapter devoted to ESG for the Bank's 2023 Capital Adequacy Report.
- Expansion of the ESG database in the Credit Risk Engine (Silnik Ryzyka Kredytowego, SRK) system for the purpose of risk management and development of the credit portfolio, as well as the estimation of emission performance and determination of the green asset ratio (GAR).
- Update of the climate risk determination algorithms and climate risk database and their expansion with data from an additional European climate risk source (NGFS). The scope of data in the Bank's systems covers, among other things, risk of floods, flooding and drought for addresses of mortgage collateral and addresses of companies' offices - ITS Report, Template No 5 "Physical risk associated with climate change - Exposures exposed to physical risk".
- Automatic retrieval of data on the actual energy performance (EP) of real estate from the Central Register of Building Characteristics to the credit risk database, for real estate serving as collateral for loans - ITS Report, Template No 2 "Risk of climate transition: energy efficiency of collateral". Retrieval of information about EP and assignment of energy performance certificates for more than 114 thousand properties serving as mortgage collateral.
- Retrieval of data on taxonomy survey results for targeted financing to the SRK system database and inclusion of the results in reports.
- Retrieval of data on regional and sectoral indicators from the Partnership for Carbon Accounting Financials (PCAF) database for estimating and calculating the emission performance of the credit portfolio (Scope 3, category 15) and expansion of the ESG database of the SRK system for estimating the emission performance of the credit portfolio.
- Preparation of processes for reporting and mandatory disclosure reports covering the Taxonomy and ITS for the first half of 2024 in an extended scope.
- Preparation of processes and algorithms for estimating the emission performance of the credit portfolio (Scope 3, category 15), based on PCAF indicators in the ESG database of the SRK system.

### Pro-environmental efforts

In the first half of 2024, the Bank analysed all of the Bank's real properties (owned and leased) in terms of heat source emissions. 42 sites (including 39 branches) heated with coal, eco-pea coal, pellets or fuel oil were identified. Further action plans are being developed for each of them, in particular focusing on the upgrade of heat sources (estimated emissions reduction of around 72 tonnes of CO2e per year). Thanks to parallel efforts, the heat sources in five sites were successfully replaced with low-carbon alternatives, which reduced emissions by approx. 3.906 tonnes of CO2e.

The Bank implemented a tool for assessing ESG changes resulting from undertaken projects and initiatives. The tool has the form of an ESG assessment sheet, that is filled for each newly-launched initiative that involves ESG issues.

The Bank continued to replace windows, lighting and air-conditioning units with energy-efficient and higher-performance ones, relocated branches to sites equipped with less carbon-intensive heat sources (e.g. eliminating sites equipped with oil-fired boiler rooms) and replaced ATMs with energy-efficient ones. More cars were replaced with low-emission ones (207 hybrid cars were acquired for the Bank to replace those with an internal combustion engine).

The Bank is optimising the use of space as part of the Flexidesk project (introduction of a rotating working schedule), which reduces the demand for electricity and heat. The measures planned for 2024 concern the area of 6,678m$^2$ and the following cities: Olsztyn, Kraków, Wrocław, Gdynia (approx. 900 jobs). As a result of the implementation of the Flexidesk project in Toruń, 35 workstations were adapted for a hybrid working model and the property area was reduced by 366 m$^2$.

The Bank also carries out optimisation measures: it sells real estate or abandons the lease of "excess" space. When selecting a new location, non-financial parameters in the form of building certificates (e.g. BREEAM, LEED, WELL) are taken into account.

The Bank also had its building in Sławno thermo-modernised (refurbishment of the façade and roof) and had the electric boiler in the Twardogóra branch replaced with a new one equipped with weather control, thereby improving the energy performance of the solution.

## PAI INDICATORS

Disclosure within the scope specified by the Principle Adverse Impacts in accordance with the SFDR regulation for PKO Bank Polski S.A. as an investee.

Table 6. Statement concerning the main adverse effects of investment decisions on sustainable development factors. Indicators applicable to investments made in investees.

| | | | 2023 | 2022 | Explanatory notes |
|---|---|---|---|---|---|
| CLIMATE INDICATORS AND OTHER ENVIRONMENTAL INDICATORS | | | | | |
| GHG emissions | GHG emissions | Scope 1 ($MgCO_2e$) | 10,308 | 10,849 | GHG Protocol methodology. Market based method. |
| | | Scope 2 ($MgCO_2e$) | 22,168 | 26,274 | ditto |
| | | Scope 3 ($MgCO_2e$) | 26,334 | 14,841 | ditto |
| | | Total emission levels (Scope 1+2+3) | 58,810 | 51,965 | ditto |
| | | Scope 3 ($MgCO_2e$) portfolio emissions | 7,941,157 | - | PCAF methodology. |
| | | Total emission levels (Scope 1+2+3) including portfolio emissions | 7,999,967 | - | GHG Protocol/PCAF methodology |
| | Exposure due to companies operating in the fossil fuel sector | Share of investments made in companies operating in the fossil fuel sector | | | The Bank is not active in the fossil fuel sector and does not generate revenue from fossil fuel activities.<br><br>The Bank finances customers operating in high-carbon sectors - the share of loans granted to customers in these industries was 0.19% of assets in 2023 (0.38% in 2022). |
| | Share of non-RES energy consumed and produced | Share of non-RES energy consumed and produced by investees in relation to renewable energy resources, expressed as a percentage of total energy resources | 59% | 62% | The calculations include the consumption of RES energy in micro-photovoltaic systems installed on the Bank's premises. |

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| | Energy intensity per sector with a significant climate impact | Energy consumption expressed in GWh for every EUR 1 million generated in investees' revenues, per sector with a significant climate impact | | | The Bank does not operate in sectors with a significant climate impact, i.e. those listed in sections A-H of Annex 1 to Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2. |
| Biological diversity | Activities adversely affecting biodiversity-sensitive areas | Share of investments made in companies having facilities/conducting business in or near biodiversity-sensitive areas, whose operations have an adverse impact on such areas. | | | The Bank does not conduct activities in or near biodiversity-sensitive areas which would have an adverse effect on these areas.<br>The Bank has verified whether it owns properties located in biodiversity-sensitive areas defined as Natura 2000 areas, UNESCO World Heritage areas, key biodiversity areas, and other protected areas referred to in Appendix D of Annex II to Commission Delegated Regulation (EU) 2021/2139. The results of the analysis of 1086 sites have shown that 14 sites are located in Natura 2000 protected areas and 2 sites in UNESCO World Heritage areas. All of these sites comprise the Bank's branches, offices, flats, a garage and a cash service point. The activities carried there have no adverse impact on the aforementioned protected areas. |
| Water | Emissions to water | Tonnes of emissions to water generated by investees, per each EUR 1 million invested; the ratio is expressed as a weighted average | | | The Bank does not release emissions to water, understood as emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council, and does not directly emit nitrates, phosphates or pesticides. |
| Waste | Hazardous waste and radioactive waste indicator | Tonnes of hazardous waste and radioactive waste generated by investees, per each EUR 1 million invested; the ratio is expressed as a weighted average | | | The Bank does not generate hazardous waste within the meaning of Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council, or radioactive waste within the meaning of Article 3(7) of Council Directive 2011/70/Euratom. |

| | | | 2023 | 2022 | Explanatory notes |
|---|---|---|---|---|---|
| **INDICATORS RELATING TO SOCIAL AND LABOUR ISSUES, RESPECT FOR HUMAN RIGHTS AND COUNTERACTING CORRUPTION AND BRIBERY** | | | | | |
| Social and labour issues | Violations of the Global Compact principles and Guidelines the Organisation for Economic Co-operation and Development (OECD) for Multinational Enterprises | Share of investments in companies that violated or violate the Global Compact principles and the OECD Guidelines for Multinational Enterprises | No notifications concerning the Bank for violations of the Guidelines | No notifications concerning the Bank for violations of the Guidelines | The Bank has no processes or controls in place to oversee compliance with the Global Compact principles. |
| | Lack of processes or controls to oversee compliance with the Global Compact principles and the OECD Guidelines for Multinational Enterprises | Share of investments in companies that have no strategy to oversee compliance with the Global Compact principles or the OECD Guidelines for Multinational Enterprises and have no mechanisms for handling complaints regarding violations of the Global Compact principles or the OECD Guidelines for Multinational Enterprises | | | The Bank has no processes or controls in place to oversee compliance with the Global Compact principles. |
| | Unadjusted gender pay gap | Average unadjusted gender pay gap in investees | 2% | 4% | Gender pay gap calculated on the basis of the weighted average salary. |
| | Gender diversity of members of the Management Board (and the Supervisory Board) | Average ratio of women to men on the investees' boards, expressed as a percentage of total board members | 5.6% | 5.3% | |
| | Exposure due to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in companies that participate in the production or sale of controversial weapons | | | The Bank does not participate in the production or sale of controversial weapons referred to in: (1) the Convention of 18 September 1997 on the prohibition of the use, storage, production and transfer of anti-personnel mines and on their destruction; (2) the Convention on the prohibition of cluster munitions, which entered into force on 1 August 2008, and (3) the Chemical Weapons Convention, which entered into force on 29 April 1997. |

### PORTFOLIO EMISSIONS

The Bank's Group measured the loan portfolio emissions and presented the results in the Capital Adequacy report as at 30 June 2024.

The emission performance of the credit portfolio at the end of 2023 amounted to 12,635,109 tonnes of $CO_2$e, including:

- emission performance of the Bank's portfolio: 7,941,157 $tCO_2$e,
- emission performance of PKO Leasing S.A.'s portfolio: 3,677,382 $tCO_2$e,
- emission performance of PKO Faktoring S.A.'s portfolio: 1,016,570 $tCO_2$e.

The portfolio emission performance includes: corporate loans, commercial real estate loans, Project Finance, vehicle financing, shares and corporate bonds.

## 8.3. SUPPORT FOR BORROWERS

### CREDIT HOLIDAYS

On 12 April 2024, the Polish Parliament passed an amendment to the Act on support for borrowers who have taken out a mortgage loan and are in a difficult financial situation and the Act on the crowdfunding of business ventures and on assistance for borrowers.

The Bank's Group offers statutory credit holidays, allowing the suspension of repayment of a mortgage loan or advancement used to meet the borrower's own housing needs that was granted in Polish currency under agreements concluded before 1 July 2022. Customers can take advantage of these solutions with respect to one agreement only.

Customers may have their loan repayments suspended if, apart from meeting the above conditions, they comply with the following criteria: the value of the loan granted did not exceed PLN 1,200,000 and the arithmetic mean of the ITI[5] ratio exceeds 30% or if the consumer has at least 3 dependent children (as at the date of application). The option to suspend repayment is also available to customers who have reached settlements concerning CHF loans and the current currency of their loan is PLN. Customers of PKO Bank Polski S.A. and PKO Bank Hipoteczny S.A. can apply through the iPKO website, the Bank's branches or by mail.

The amended Act gives borrowers the right to have their loan suspended for up to two months in the period from 1 June to 31 August 2024 and two months in the period from 1 September to 31 December 2024.

By the end of June 2024, 21.3 thousand customers of the Group applied for a suspension of their mortgage loan or advance repayment, and the total number of instalments to be suspended was 81 thousand.

Detailed information on the impact of credit holidays on the Groups financial performance is presented in the Financial statements of the Bank's Group for the first half of 2024 – note 21 "Loans and advances to customers".

## 8.4. SUPPORT FOR UKRAINE

### HUMANITARIAN AID

The Bank's Group continued its efforts to support Ukrainian citizens. The main efforts of the Bank and its Polish subsidiaries were coordinated by the PKO Bank Polski Foundation (Foundation) and financed from the Foundation's resources and from voluntary donor contributions collected in the Foundation's special bank account. In the first half of 2024, the Foundation made cash donations to two NGOs for aid activities totalling PLN 94 thousand, while the Bank's Group companies made donations totalling PLN 15 thousand.

In the first half of 2024, KREDOBANK S.A. (a Ukrainian bank in the Bank's Group) donated a total of over UAH 13 million (approximately PLN 1.3 million) for charitable purposes through cooperating Ukrainian charity organisations:

- for the pursuit of the fund's charitable projects and programmes for the "Kredo Foundation" Charitable Fund,
- for the purchase of basic necessities for war victims and vulnerable social groups,
- for "The World's Greatest Lesson" educational initiative, to be conducted by the student youth organisation AIESEC,
- for the organisation of a summer camp for the children of servicemen who died defending Ukraine during the war.

[5] Instalment to income, i.e. the ratio of the loan instalment to the household's net income for the last 3 months preceding the month of application.

### ACTIVITIES OF UKRAINIAN COMPANIES

The Bank's Group's companies, including KREDOBANK S.A., together with its subsidiary KREDOLEASING S.A with its registered office in Lviv, and debt collection and financial companies with their registered offices in Kyiv and Lviv, continue to operate in Ukraine.

KREDOBANK S.A. is a universal bank which services customers mainly in the western part of Ukraine and in Kyiv. As of the end of June 2024, the company had a head office in Lviv and 57 branches.

Despite the war, the KREDOBANK Group S.A. operates uninterruptedly. The Ukrainian bank's network of branches and system infrastructure work stably. PKO Bank Polski S.A. monitors the operations of the KREDOBANK S.A. Group on an ongoing basis.

A crucial development of the first half of 2024 was, once again, the inclusion of KREDOBANK S.A. in the list of systemically important banks, which covers the 15 largest Ukrainian banks. Systemically important banks are characterised by the need to demonstrate greater stability than the rest of the banking sector.

KREDOBANK S.A. maintains normal, stable and profitable operations and has adequate asset quality. In the first half of 2024, the bank reported UAH 4,516 million in new loan sales, which is comparable the first half of 2023 figures.

The financial and organisational situation of the other Ukrainian companies in the Bank's Group remained stable at the end of the first half of 2024.

The companies are operating under wartime austerity, maintaining relations with existing counterparties and acquiring new ones. Service restrictions and the organisation of work are being adjusted to the current situation on an ongoing basis.

### COOPERATION BETWEEN KREDOBANK S.A. AND BANK GOSPODARSTWA KRAJOWEGO AND THE EUROPEAN FUND FOR SOUTHEAST EUROPE

In the first half of 2024, KREDOBANK S.A. and BGK signed an annex to an agreement with the European Commission (EC) concerning cooperation in support of business lending. BGK guarantees the repayment of loans to be granted by KREDOBANK S.A. The EC has allocated an additional EUR 10 million in 2024 for BGK to secure KREDOBANK S.A.'s lending to companies operating in Ukraine. This will enable the expanded financing of micro, small and medium-sized enterprises – primarily those operating in high-risk areas, i.e. close to hostilities.

In the second quarter of 2024, an agreement was also signed with the European Fund for Southeast Europe "EFSE" concerning a grant for KREDOBANK S.A. for the implementation of a remote onboarding and service project for SME and corporate customers.

### SANCTIONS

PKO Bank Polski S.A. has implemented restrictions and changes resulting from sanctions imposed on Russia and Belarus. In accordance with applicable regulations and imposed sanctions, the Bank blocks payments to sanctioned banks. The Bank monitors domestic and international sanctions and has been introducing, on an ongoing basis, guidelines regarding the financing of and the provision of banking services to entities and customers having business dealings with Russia and Belarus, including customers who have been or may be subject to sanctions or restrictions.

## 8.5. SIGNIFICANT AWARDS

In the first half of 2024 the PKO Bank Polski S.A. Group received numerous awards and distinctions. The most important ones are:

- **Forecasting competition of "Parkiet" Stock Market and Investors' Magazine** for 2023: The team of economists at PKO Bank Polski S.A. won 1st place in the main ranking, which is associated with forecasts of macroeconomic and market indicators, 2nd place in the ranking of macroeconomic indicators, and 4th place in the ranking of accuracy of market forecasts,
- **European Leader in Digital Banking:** PKO Bank Polski S.A. won the Finnoscore 2024 ranking and became the European Leader in Digital Banking. It received top ratings for online banking, mobile apps and online onboarding. The Bank was recognised for the price transparency of its offer and the effectiveness of its activities in the area of online marketing and social media. An independent panel of experts awarded the Bank the title of "ideal bank" in the electronic banking category,

- **Mobile Trends Awards**: IKO – the mobile app of the PKO Bank Polski S.A., won the grand prize in the vote of Internet users, who praised its innovation and new features,
- **Top Employer 2024**: PKO Bank Polski S.A. has been awarded the Top Employer title and certificate for the fifth time in a row. This is an acknowledgement that the Bank's solutions are among the best market practices. The Bank is committed to an ever-improving employee experience, by enhancing processes and tools, specifically in the area of remuneration, benefits and career opportunities,
- **The Power of Attraction**, a competition organised by Puls Biznesu: The Bank won the grand prize in the Effective well-being and work-life balance category for its #FokusNaCiebie programme. The competition picks out the most interesting and effective initiatives that are leveraged by companies to attract and retain top talent,
- **Golden Banker 2024**: PKO Bank Polski S.A. ranked 3 in the general ranking for the quality of multi-channel service. The Bank was recognised for the modernisation of its branches, the high standard of service in branches and through the call centre, as well as for the comprehensiveness the offer available online. The Bank won the first place in three categories: Personal account, Account for a child and Mortgage loan,
- **Institution of the Year ranking:** In the 9$^{th}$ edition of the ranking, PKO Bank Polski S.A. won in 6 out of 10 categories - Best personal banking, Best private banking, Best service in remote channels, Best outlet service, Best bank for companies, Best online banking. Additionally, 23 branches of the Bank were awarded the title of the Best bank outlet in Poland,
- **Banking Stars 2024, ranking organised by Dziennik Gazeta Prawna and PwC**: PKO Bank Polski S.A. won the grand prize the "Stars of Technology and Innovation" category,
- **Celent Model Bank Awards** - "Empowering the Customer" category: The jury awarded the Bank the prize for two projects - PKO Pay Later and the Value Added Services (VAS) Platform,
- **"Ranking of banks in Poland"** of "Bank" monthly financial magazine: PKO Bank Polski S.A. won 1$^{st}$ place in the Popularity Leaders among bank customers category and 3$^{rd}$ place in the Efficiency Leaders of the banking sector in Poland category.

## 9. NETWORK OF BRANCHES AND AGENCIES

The Bank provides its customers with a wide network of retail branches and agencies, private banking offices, business banking offices, corporate branches and foreign branches.

As at 30 June 2024, the Bank's retail network comprised 882 retail branches concentrated in 10 regional branches and 8 private banking offices (no change compared to the end of 2023).

The sales network of the corporate segment included 11 business banking offices and 23 regional corporate centres concentrated in 7 regional corporate offices, as well as branches in the Federal Republic of Germany, the Czech Republic, the Slovak Republic and Romania. The Bucharest branch has commenced marketing and representation activities, while operational activities are slated to be launched in the second half of 2024.

The branch and ATM network are complemented by the agency network. At the end of the first half of 2024, the Bank cooperated with 277 agencies.

Table 7. Operational data

| | 30.06.2024 | 31.12.2023 | 30.06.2023 | Change from | |
|---|---|---|---|---|---|
| | | | | 31.12.2023 | 30.06.2023 |
| **Number of branches in the retail segment** | **900** | **900** | **914** | **0** | **-14** |
| regional retail branches | 10 | 10 | 10 | 0 | **0** |
| retail branches | 882 | 882 | 896 | 0 | **-14** |
| private banking branches | 8 | 8 | 8 | 0 | **0** |
| **Number of branches in the corporate and investment segment:** | **45** | **45** | **45** | **0** | **0** |
| corporate banking branches | 11 | 11 | 11 | 0 | **0** |
| regional corporate branches | 7 | 7 | 7 | 0 | **0** |
| regional corporate centres | 23 | 23 | 23 | 0 | **0** |
| foreign branches | 4 | 4 | 4 | 0 | **0** |
| **Number of agencies** | **277** | **286** | **298** | **-9** | **-21** |
| **Number of ATMs** | **3,064** | **3,056** | **3,034** | **8** | **30** |

The Bank continued the modernisation of outlets. In the first half of 2024, the Bank upgraded and modernised 10 outlets, which involved int. al.:

- 6 comprehensive branch modernisation projects (in Łódź, Police, Rydułtowy, Suwałki, Szczecin, Wrocław),
- 4 relocations of branches to more attractive sites (in Dobre Miasto, Krapkowice, Oborniki, Warsaw).

# 10. RISK MANAGEMENT

The risk management system is meant to secure the profitability of business activities while ensuring control over the risk level and maintaining it within the system of limits and risk tolerance range adopted by the Bank and the Bank's Group in the context of changing macroeconomic and legal environment. The primary objective is to ensure adequate management of all types of risk related to the Group's business.

For a detailed description of the Group's risk management policies, please refer to the Consolidated financial statements of the PKO Bank Polski S.A. Group for the first half of 2024 and to the report titled "Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna Group subject to disclosure as at 31 December 2023.

In the first half of 2024, the main objectives, principles and organisation of the Group's risk management process did not change.

The Group has maintained a safe level of liquidity, allowing for a quick and effective response to potential threats. In the first half of 2024, the PKO structured its sources of financing by adjusting its deposit offering (in particular interest rates on deposits) to meet current needs and by raising funds from the financial market through the issue of bonds. The liquidity of KREDOBANK S.A., despite the on-going war in Ukraine, remained at a stable and safe level.

In face of the hostilities in Ukraine, the Bank in continuously taking measures to secure business continuity and reduce the potential impact of materialisation of cyber threats.

As regards interest rate risk, the banking sector is challenged by a benchmark reform, which involves the need to replace the WIBID/WIBOR benchmarks with a risk free rate (RFR) benchmark. The reform could have a significant impact on the valuation of financial instruments and the effectiveness of hedging relationships held as part of interest rate risk management. The reform will also considerably affect the products offered to customers and the structure of revaluation of the Bank's assets, liabilities and off-balance sheet items, determining the level of interest rate risk to which the Group is exposed.

An additional challenge, both for the Bank's Group and for the banking sector in general, is the new SOT NII supervisory limit introduced by Commission Delegated Regulation (EU) 2024/856 and effective from 14 May 2024. The limit determines the maximum permissible decrease in interest income as a result of a parallel change in interest rates by a certain amount for a given currency in relation to Tier 1 capital, and is set at 5%. In view of the above, the Bank will take adaptive measures to bring down the use of this limit to a level that reduces the risk of it being exceeded.

At the same time, in light of the interest rate cuts expected in 2025, given a significant and increasing proportion of mortgage loans with periodically fixed rates, an increase in prepayments of such loans is possible.

The Bank's Group is continuously developing IT systems used for collecting, aggregating and managing sustainability data, including int. al. data necessary for estimating $CO_2$ emissions.

The Bank systematically obtains information on building energy performance (EP) and emission performance from the Central Register of Building Energy Performance, which allows for effective reporting of non-financial information on Taxonomy and Pillar III disclosures based on actual EP[6] data.

The Bank continues its efforts to determine the emission performance of the credit portfolio (Scope 3, category 13 and 15 from a Group perspective, in line with the Greenhouse Gas Protocol). One of the key steps in achieving this was the Bank's accession in December 2023, to the Partnership for Carbon Accounting Financials (PCAF), which has developed a single global standard for calculating and reporting greenhouse gas emissions for the financial sector. The PCAF methodology enables the quantification of GHG emissions associated with, among other factors, corporate loans, securities, mortgage loans and car loans. The results of the GHG emission calculations are presented in the Report titled "Capital adequacy and other information of the Powszechna Kasa Oszczędności Bank

[6] The EP indicator describes the annual non-renewable primary energy demand required for heating, ventilation, cooling and hot utility water, and, in the case of public buildings, collective housing, production, utility and storage buildings – also for lighting

Polski Spółka Akcyjna Group subject to disclosure as at 30 June 2024". On the basis of the measured emission performance of the credit portfolio, the Bank will prepare a lending strategy laying a decarbonisation path for the credit portfolio, in particular for carbon-intensive sectors.

For the purposes of ESG risk management and reporting, the Bank has developed the rules for credit portfolio classification that define, in particular, criteria for identifying and classifying exposures that finance environmental, social and governance activities. The Bank distinguishes four classes of exposures that finance environmental, social and governance activities, namely:

1. exposures supporting sustainable development – light green exposures, which relate to the financing of economic activities that have a positive impact on the environment and, in particular, contribute to the achievement of the environmental objectives described in Article 9 of the EU Taxonomy, and which relate to the financing of activities that have a positive impact on society and communities,
2. environmentally sustainable exposures (compliant with the systemic classification) – dark green exposures, which relate to the financing of economic activities meeting the criteria described in Article 3 of the EU Taxonomy,
3. environmentally neutral exposures – white exposures, which relate to the financing of economic activities that cannot be assigned an environmental target and that have been classified as neither exposure supporting sustainable development goals, nor environmentally sustainable exposures, nor exposures with a negative environmental impact,
4. Exposures with a negative environmental impact – brown exposures, which relate to the financing of economic activities that contribute to significant greenhouse gas emissions, air, water and soil pollution, deforestation, waste generation, destruction of biodiversity or overexploitation of natural resources.

# 11. INFORMATION FOR INVESTORS

## 11.1. DIVIDEND AND DISTRIBUTION OF PROFIT

On 21 February 2024, the Bank received an individual recommendation of the PFSA concerning the payout of dividend. Detailed information is included in the Directors' Commentary on the results of the PKO Bank Polski S.A. Group for the three-month period ended 31 March 2024.

On 28 June 2024, the Annual General Meeting (AGM) of PKO Bank Polski S.A. passed a resolution on the distribution of the Bank's profit earned in 2023, according to which:

1. Of the net profit earned by PKO Bank Polski S.A. in 2023 in the amount of PLN 4,868,360,037.30, PLN 3,237,500,000, representing 66.50% of the net profit earned by PKO Bank Polski S.A. in 2023 ("Distributable profit"), was allocated for distribution to shareholders.

   The dividend per share is PLN 2.59. The dividend record date is 8 August 2024. The dividend will be paid out on 22 August 2024,
2. The remaining amount of profit, i.e. PLN 1,630,860,037.30 was allocated to reserve capital for the payment of a dividend, including an interim dividend, in accordance with § 30 of the Bank's Articles of Association,
3. The Distributable profit, increased by the amount of PLN 1,600,000,000 from the reserve capital established pursuant to the resolution of the AGM of 21 June 2023 on the distribution of profit earned in 2022 to be paid as a dividend, including an interim dividend, in accordance with § 30 of the Articles of Association. paid by the Bank on 1 February 2024 as an interim dividend for 2023, i.e. a total amount of PLN 4,837,500,000, constitutes a dividend to be distributed to all shareholders of the Bank.

At the same time, the AGM passed a resolution to leave PKO Bank Polski S.A.'s retained earnings, in the amount of PLN 9,437,974,386.73, undistributed.

## 11.2. CHANGE OF SIGNIFICANT CORPORATE DOCUMENTS OF THE BANK

### AMENDMENT TO THE ARTICLES OF ASSOCIATION AND BY-LAWS OF THE SUPERVISORY BOARD OF THE GENERAL MEETING OF THE BANK

**Amendment to the Bank's Articles of Association**

On 18 July 2024, the District Court for the capital city of Warsaw in Warsaw, 13th Division of the National Court Register, recorded the following amendments to the Bank's Articles of Association:

1. in § 4(1), item 10 "conduct of forward financial operations" and item 16 "operation of a housing fund" were deleted,
2. in §4(3), item 1 "take up or acquire shares and rights attached to shares, interest in another legal person and acquire participation units in investment funds", item 5 "trade in securities", and item 6 "incur liabilities related to the issue of securities" were deleted,
3. in § 4(2), item 4 was amended through the addition of a clarification regarding the scope of brokerage activity referred to in Article 69 of the Act of 29 July 2005 on trading in financial instruments,

   In connection with the entry into force on 29 September 2023 of the Act of 16 August 2023 amending certain acts in connection with ensuring the development of the financial market and the protection of investors in this market, it became necessary to process the application for authorisation to amend the Bank's Articles of Association, in conjunction with Article 5(16) and Article 48 of the aforementioned Act, i.e. specifying in the Bank's Articles of Association the activities referred to in Article 69 section 2 and 4 of the Act on trading in financial instruments (brokerage activities).
4. § 9(1) item 6 was amended and after the words "issue of bonds convertible into shares, bonds with pre-emptive rights" the words "and subscription warrants" were deleted, while the following words were added: "as well as subscription warrants and issue of capital bonds convertible into Bank's shares in the event of a trigger event and increase of the share capital by converting capital bonds into Bank's shares",

   The change in § 9 resulted from an amendment to the Act on investment funds and management of alternative investment funds, the Act on bonds, the Act on the Bank Guarantee Fund, the deposit guarantee scheme and compulsory resolution and certain other acts, which made it possible to extend the catalogue of issued capital instruments to include the so-called AT1 capital bonds, i.e. new debt instruments, containing a mechanism for loss absorption, inter alia, by redeeming bonds or converting them into shares and enabled the issue of instruments that can be classified as the so-called additional Tier 1 and Tier 2 capital, and enables the Bank to add the aforementioned capital instruments to regulatory capital.

5. § 20(1) was amended, by expanding the existing powers of the Management Board as follows: "1. All issues related to the management of the affairs of the Bank, which are not reserved for the General Meeting or the Supervisory Board by the generally applicable laws or the provisions of these Articles of Association, shall fall within the competences of the Management Board, including acquisition and disposal of real estate, an interest in real estate or a perpetual usufruct, which do not require permission of the General Meeting in accordance with § 9 or permission of the Supervisory Board in accordance with § 15" further "and the granting of the Bank's shares in exchange for capital bonds in connection with the conversion of capital bonds into Bank's shares in a trigger event occurs",

   The idea behind the amendment to § 20(1) was to grant the Bank's Management Board the powers referred to in Article $454^1$ § 2 of the Act of 15 September 2000 – Commercial Companies Code, authorising the Management Board to adopt a resolution on granting the Bank's shares in exchange for capital bonds in connection with the share capital increase by converting capital bonds into Bank's shares if a trigger event occurs.

6. in § 28:
   a) section 1 was amended to clarify the definition of own funds, so that they comprise the sum of Common Equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital;

      The amendment results from the PFSA's expectations regarding the specification of the definition of own funds;

   b) section 3 and 4 were added, stipulating that "3. The Bank may issue capital bonds and other financial instruments, on the basis of generally applicable laws, in order to qualify them as own funds" and specifying the Bank's activities relating to own funds that require PFSA's prior authorisation, i.e. a) reduction, redemption or repurchase of instruments in Common Equity Tier 1 capital, b) reduction, distribution or reclassification as another own funds item of the share premium accounts related to own funds instruments, c) calling for the sale, redemption, repayment or repurchase of Tier 1 additional instruments or Tier 2 instruments before their contractual maturity."

The amendment results from the need to comply with the PFSA's expectations and to integrate the provisions of Article 77(1)(1)-(3) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR).

## 11.3. SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

According to PKO Bank Polski S.A.'s knowledge, as at the date of the report, there are three shareholders holding directly or indirectly significant blocks of shares (at least 5%): State Treasury, Nationale-Nederlanden Otwarty Fundusz Emerytalny, and Allianz Polska Otwarty Fundusz Emerytalny.

Detailed information is presented in the Financial statements of the Bank's Group for the first half of 2024 – note 29 "Bank's Shareholders".

PKO Bank Polski S.A. did not purchase or sell any own shares on its own account in the first half of 2024.

## 11.4. SHARES OF PKO BANK POLSKI S.A. HELD BY MEMBERS OF THE BANK'S GOVERNING BODIES

As at the date of publication of the financial reports for the periods ending 30 June 2024 and 31 March 2024, no member of the Bank's Supervisory Board held any shares or rights to shares of PKO Bank Polski S.A.

The number of shares of PKO Bank Polski S.A. held by members of the Bank's Management Board as at the date of publication of the abovementioned reports is presented in the table below. The nominal value of each share is PLN 1. During the period in question, the members of the Bank's Management Board held no rights to shares.

Table 8. Shares of PKO Bank Polski S.A. held by members of the Bank's Management Board

| No. | Name and surname | Ownership of shares as at the date of publication of the financial report for the period ending | | | | | |
|---|---|---|---|---|---|---|---|
| | | 30.06.2024 | | Purchase | Disposal | 31.03.2024 | |
| | | number of shares | nominal value | | | number of shares | nominal value |
| | **Management Board of the Bank** | | | | | | |
| 1 | Szymon Midera, President of the Management Board | 0 | 0 | 0 | 0 | 0 | 0 |
| 2 | Krzysztof Dresler, Vice-President of the Management Board | 0 | 0 | 0 | 0 | 0 | 0 |
| 3 | Ludmiła Falak-Cyniak, Vice-President of the Management Board | 0 | 0 | - | - | - | - |
| 4 | Piotr Mazur, Vice-President of the Management Board | 8,000 | 8,000 | 0 | 0 | 8,000 | 8,000 |
| 5 | Marek Radzikowski, Vice-President of the Management Board | 0 | 0 | 0 | 0 | 0 | 0 |
| 6 | Michał Sobolewski, Vice-President of the Management Board | 0 | 0 | - | - | - | - |
| 7 | Mariusz Zarzycki, Vice-President of the Management Board | 0 | 0 | 0 | 0 | 0 | 0 |

## 11.5. CORPORATE GOVERNANCE PRINCIPLES CONTAINED IN BEST PRACTICES FOR WSE LISTED COMPANIES 2021

The Supervisory Board of Giełda Papierów Wartościowych w Warszawie S.A. ("the Warsaw Stock Exchange", "WSE"), by resolution No 13/1834/2021 of 29 March 2021, adopted a set of corporate governance principles for joint-stock companies issuing shares, convertible bonds or bonds with pre-emptive right, which are admitted to trading on a WSE regulated market, i.e. "Best Practices for WSE Listed Companies 2021" ("Best Practices 2021"), which entered into force on 1 July 2021.

Best Practices 2021 are addressed to all authorities of the company. The Management Board, the Supervisory Board and the General Meeting expressed their opinion on the application of these practices – they all approved Best Practices 2021 without any exceptions.

In the first half of 2024, none of the Bank's authorities declared any deviations from the principles of the Best Practices 2021.

The information on the scope of application of the aforementioned principles by the Bank (in the form stipulated in the WSE Rules) is available on the Bank's website (https://www.pkobp.pl/investor-relations/corporate-governance/best-practice-for-wse-listed-companies-2021/).

## 11.6. Incidental violation of Best Practices 2021

In the first half of 2024, there were two incidental violations of principle 4.9.1 of Best Practices 2021. Shareholders failed to propose candidates for members of the Supervisory Board of PKO Bank Polski S.A. by the required deadline, i.e. no later than 3 days before the general meeting.

There was also an incidental violation of principle 2.2 of Best Practices 2021 through failure to achieve the target ratio of a minimum proportion of women on the Supervisory Board of PKO Bank Polski S.A., which is not less than 30%.

The Bank informed about the incidental violations of the abovementioned principles in reports No 1/2024, 2/2024 and 3/2024.

## 11.7. Ratings

### ESG ratings

In the first half of the year, the rating assigned by Sustainalytics decreased (from 23.5 to 23.9) as a result of the inclusion of public information on pending litigation against the Bank. As at the end of the first half of 2024, other of the Bank's ESG ratings were as follows: 3.3 (FTSE Russell), A (MSCI), and 46 (Moody's Analytics (previously V.E).

## 11.8. Other information

### Disclosure of non-financial information

The PKO Bank Polski S.A. Group prepared a Statement on non-financial information, which constituted a separate part of the Directors' Report on the operations of the PKO Bank Polski S.A. Group for 2023 and published it on PKO Bank Polski S.A.'s website. The statement was prepared in accordance with the provisions of the Accounting Act and contains all elements required by law. The Statement presents information on labour, social, and environmental issues.

### Position of the Management Board of PKO Bank Polski S.A. on the possibility of the achievement of previously published forecasts of the result for the year

The Bank did not publish forecasts of financial results for 2024. In current reports, the Bank communicated information on significant events that had affected the Bank's and the Bank's Group's results.

### Significant agreements and material agreements with Central Bank or supervisory authorities

The Bank Polski is obliged to inform in the current reports about all agreements meeting the definition of confidential information specified in Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse.

In the first half of 2024, the Bank concluded and published information about an annex to the guarantee agreement entered into on 27 February 2023, providing unfunded credit protection in respect of a portfolio of selected corporate credit receivables of the Bank, in accordance with the CRR ("Guarantee").

Following the conclusion of the annex, the terms and conditions of the Guarantee have changed to the effect that the total value of the Bank's debt portfolio covered by the Guarantee is PLN 17,016,565,143.45 and the portfolio consists of a portfolio of bonds with a value of PLN 1,843,699,490.98 ("Portfolio A") and a portfolio of other receivables with a value of 15,172,865,652.47 PLN ("Portfolio B"). The coverage ratio is 100% for Portfolio A and 80% for Portfolio B, therefore, the total maximum Guarantee amount is PLN 13,981,992,012.92.

In the first half of 2024, the Bank concluded an annex to the loan agreement concluded in 2017, of which it had informed in Current Report No 18/2017 („Agreement"). The information was published in Current Report No 30/2024. The annex stipulates the final date for the Bank's customer ("Customer") to repay the loan granted under the Agreement has been extended by a further 24 months from the previous extension, of which the Bank informed in Current Report No 14/2022. The outstanding loan amount is PLN 1.09 billion.

At the same time, in connection with the Agreement, the Bank signed a statement regarding a tripartite understanding with the customer and the institution with which the customer is implementing a joint investment project, co-financed with the funds raised under the Agreement ("Understanding"), as referred to in Current Report No 19/2017 of 30 May 2017. The statement confirms the fact that the term of the Understanding has been extended by another 24 months compared to the previous extension.

The Bank's subsidiaries did not enter into any significant agreements and material agreements with the central bank or supervisory authorities in the first half of the year.

### Loans drawn and agreements regarding advances, guarantees and pledges which are not related to opening activities

In the first half of 2024, neither the Bank nor the Bank's subsidiaries took out any loans or advances or received any guarantees or pledges which were not related to their operating activities.

### Information on transaction(s) with related parties concluded by the issuer or its subsidiary, if they have been concluded on terms other than on an arm's length basis

The Group identified no unpaid loans or advances or any breach of material provisions of a loan or advance agreement where the Group acts as a borrower with regard to which no remedial action had been taken until 30 June 2024.

### Information on transaction(s) with related parties concluded by the issuer or its subsidiary, if they have been concluded on terms other than on an arm's length basis

The Bank's Group identified no transactions with subordinates that deviate materially from arm's length conditions. The Bank's subsidiaries did not conclude any transactions with related parties which differ significantly from arm's length basis.

### Information on significant agreements concerning the issuer or its subsidiary granting sureties for loans or advances or granting guarantees

In the first half of 2024, leasing companies in the Bank's Group granted sureties to Bank Ochrony Środowiska S.A. (BOŚ S.A.) as part of the "My Electric Car" programme supporting the development of electromobility in Poland:

- PKO Leasing S.A. granted a surety to Bank BOŚ S.A. in the amount of up to PLN 80 million - utilisation as at 30 June 2024 is PLN 78.6 million.
- PCM S.A. granted a surety to Bank BOŚ S.A. in the amount of up to PLN 30 million - utilisation as at 30 June 2024 is PLN 10.6 million.

In the first half of 2024, neither the Bank nor PKO Bank Polski S.A's subsidiaries entered into other significant agreements to guarantee the repayment of a loan or advance and to grant guarantees for the repayment of a loan or advance.

The above sureties were granted for a period of 2 years from the date of delivery of the item indicated in the protocol handover + 120 days. PKO Leasing S.A. and PCM S.A. do not receive any remuneration for granting surety (the surety is a security for the grant agreement).

The Bank and its subsidiary PKO Leasing S.A. Group have no connections with BOŚ S.A.

### Information on material proceedings before a court, a competent arbitration tribunal or a public administration body

Taking into consideration the value of and an increase in the number of court proceedings, the Bank considered as material the court proceedings relating to mortgage loans in convertible currencies. As of 30 June 2024, there were 35,207 court proceedings pending against the Bank (as of 31 December 2023: 30,498) relating to mortgage loans granted in previous years in foreign currency with a total value in dispute of PLN 14,255 million (as of 31 December 2023: PLN 11,948 million), including a case of group proceedings covering 47 loan agreements. The subject matter of actions brought by the Bank's customers are mainly claims for declaration of invalidity of an agreement or for reimbursement of amounts paid by the customer to the Bank in the performance of an invalid agreement. Customers allege that their agreements contain abusive provisions and/or that they are contrary to the law. None of the clauses used by the Bank in the agreements was entered in the register of prohibited contractual clauses.

Information on the value of all court proceedings involving the Bank and Bank's Group, as well as a description of the main disputes, including those relating to mortgage loans in convertible currencies, is presented in the Financial statements of the Bank's Group for the first half of 2024, in note 28 "Legal claims".

### Other information relevant to the assessment of the issuer's personnel, assets, financial position, financial performance and changes therein

The "Principles of Corporate Governance for Supervised Institutions" (hereinafter referred to as: Principles), adopted by the PFSA by its Resolution No 218/2014 dated 22 July 2014 (Official Journal of the PFSA, item 17), were adopted in the Bank for application in 2014 with regard to the powers and duties of the Bank's Management Board and Supervisory Board. As the Bank was not engaged in asset management at the customer's risk, Chapter 9 (concerning this matter) was excluded from application.

In 2015, the Bank's General Meeting, within the scope of its powers, adopted the Principles for application, subject to the following principles being waived:

- § 8(4) of the Principles, with regard to ensuring that shareholders are able to participate in general meetings using means of electronic communication,
- The waiver of this principle was justified by legal and organisational-technical risks,
- § 10(2) of the Principles, with regard to the introduction of personal rights or other special rights for shareholders,
- § 12(1) of the Principles, with regard to shareholders' responsibility for prompt recapitalisation of a supervised institution,

The above principles were excluded due to the unfinished process of privatisation of the Bank by the State Treasury.

- § 28(4) of the Principles, with regard to the assessment by a decision-making body of whether the adopted remuneration policy promotes the development and operational security of a supervised institution.
- The waiver of this principle was justified by the excessive material scope of the remuneration policy that is subject to the assessment by a decision-making authority.

The scope of the waiver changed in 2021 - at that time, the waiver of the principle set out in § 8(4) was abandoned due to the pandemic period.

By way of a resolution dated 28 June 2024, the Bank's Annual General Meeting decided to repeal the remaining exemptions in the application of the Principles of Corporate Governance for Supervised Institutions, with a stipulation that, in the case of § 28.4 of the Principles, the assessment will be made starting from the Annual General Meeting held after the end of the current financial year.

## 12. Glossary

**Interest-bearing assets** – amounts due from banks, securities and loans and advances to customers,

**Liquid assets and cash** – amounts due from banks, cash, balances with the Central Bank, securities (banking portfolio), repo transactions,

**CPI** – consumer price index,

**Customer deposits** – amounts due to customers,

**Financing granted to customers** – loans and advances granted to customers (including amounts due from finance lease), as well as municipal and corporate bonds (excluding bonds of international financial organisations) presented in securities, other than securities held for trading,

**External financing** – subordinated liabilities, liabilities in respect of issue of securities measured at amortised cost, and loans and advances received,

**Other liabilities** – derivative hedging instruments, other derivative instruments, liabilities in respect of insurance activities, other liabilities, current income tax liabilities, deferred income tax provisions, provisions, reverse repo transactions, amounts due to the Central Bank and amounts due to banks,

**Operating expenses** – costs of operation (including net regulatory charges),

**Regulatory costs** – net regulatory charges,

**Total capital ratio** – own funds to the total capital requirement multiplied by 12.5,

**Securities (banking portfolio)** – securities less municipal and corporate bonds (excluding bonds held for trading) and bonds of international financial organisations,

**Other assets** – derivative hedging instruments, other derivative instruments, investments in associates and joint ventures, non-current assets held for sale, intangible assets, property, plant and equipment, insurance assets, current income tax receivables, deferred income tax assets, and other assets,

**Risk-free rate** – the average annual yield on 10-year Treasury bonds,

**Average interest on loans** – interest income on loans and advances to customers on an annual basis, excluding the impact of statutory credit holidays, to the average balance of loans and advances to customers from the last 5 quarters,

**Average interest on deposits** – interest expense on amounts due to customers on an annual basis to the average balance of amounts due to customers from the last 5 quarters,

**C/I ratio (costs to income ratio)** – operating expenses (including net regulatory charges) to the result on business activities on an annual basis,

**Tier 1 capital ratio** – Tier 1 capital to the total capital requirement multiplied by 12.5,

**Leverage ratio** – Tier 1 capital to the total of on-balance sheet assets and off-balance sheet liabilities after taking into account the CCF,

**Credit risk cost indicator** – net write-downs and impairment of financing granted to customers for the last 12 months to the average balance of gross financing granted to customers at the beginning and end of the reporting period and interim quarterly periods,

**Interest margin ratio** – net interest income, excluding the impact of statutory credit holidays, on an annual basis to the average balance of interest-bearing assets (including amounts due from banks, securities and loans and advances to customers) from the last 5 quarters,

**ROA net** – net profit for the year to the average balance of assets from the last 5 quarters,

**ROE net** – net profit for the year to the average balance of equity from the last 5 quarters,

**Share of exposures with recognised impairment** – a portfolio with recognised impairment in the portfolio of loans and corporate and municipal bonds (not guaranteed by the State Treasury), including loans measured at fair value through profit or loss,

**Net operating result** – result on business activities on a management basis, operating expenses and tax on certain financial institutions,

**Result on financial transactions** – result on financial transactions and gains and/or losses on derecognition of financial instruments less the result on loans measured at fair value through profit and/or loss,

**Net write-downs and impairment** – result on allowances for expected credit losses, result on impairment of non-financial assets and cost of legal risk associated with mortgage loans in convertible currencies and result on loans measured at fair value through profit or loss,

**Result on business activities** – result on business activities less result on loans measured at fair value through profit or loss,

**Net profit** – net profit recognised in the consolidated income statement understood as the net profit attributable to shareholders of the parent company.

# 13. STATEMENT OF THE MANAGEMENT BOARD

The Management Board of PKO Bank Polski S.A. represents that, to the best of its knowledge:

- the condensed interim financial statements of PKO Bank Polski S.A. for the period of six months ended 30 June 2024 and comparative data have been prepared in accordance with the applicable accounting principles and truly, fairly, and clearly reflect the asset and financial standing of PKO Bank Polski S.A. and its financial performance,
- the condensed interim consolidated financial statements of the PKO Bank Polski S.A. Group for the period of six months ended 30 June 2024 and comparative data have been prepared in accordance with the applicable accounting principles and truly, fairly, and clearly reflect the asset and financial standing of the PKO Bank Polski S.A. Group and its financial performance,
- this Directors' Report on the operations of PKO Bank Polski S.A. Group for the first half of 2024 provides a true view of the development, achievements and situation of PKO Bank Polski S.A. and PKO Bank Polski S.A. Group, including a description of basic threats and risks.

The Management Board of PKO Bank Polski S.A. represents that the entity authorised to audit financial statements, reviewing the above financial statements, has been selected in accordance with the provisions of law, and that this entity and the statutory auditors carrying out such reviews have met the conditions for issuing impartial and independent inspection reports, in accordance with applicable regulations and professional standards.

This Directors' Report on the operations of PKO Bank Polski S.A. Group for the first half of 2024 consists of 61 consecutively numbered pages.

## Signatures of all Members of the Bank's Management Board

| | |
|---|---|
| Szymon Midera | President of the Management Board |
| Krzysztof Dresler | Vice-President of the Management Board |
| Ludmiła Falak-Cyniak | Vice-President of the Management Board |
| Piotr Mazur | Vice-President of the Management Board |
| Marek Radzikowski | Vice-President of the Management Board |
| Michał Sobolewski | Vice-President of the Management Board |
| Mariusz Zarzycki | Vice-President of the Management Board |

The original Polish document is signed with a qualified electronic signatures.